

FINANCIAL TIMES

MEXICO

Moving away from alchemy

Page 3

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World News

Police row in Grenada erupts into killings

Shimmering disagreement within the leadership of the police force on the eastern Caribbean island of Grenada erupted in a shooting incident which left the island's police commissioner, the assistant commissioner, and a US government official dead.

China recalls all its ambassadors for a special conference in Peking, probably to discuss how the country's international image can be repaired.

Polish strike

Bus and tram drivers in Bydgoszcz, Poland, stopped work to demand higher wages in the first important strike since Solidarity's election success.

PM faces defeat

Charles Haughey, Ireland's Prime Minister, seems likely to be defeated in a vote today in the Dail, or parliament, on his continued leadership of the country.

EC milk row near

Controversy over bovine somatotropin, the powerful hormone which manufacturers claim can stimulate milk yield, is set to erupt next week when the EC adopts a plan to ban it.

Offer to Communists

Greek communists have been given three days to try to forge a coalition Government, although a fresh election is still probable.

UK strike threat

A 24-hour national train strike created traffic chaos in Britain and the rail union said it would repeat the walkout every week until it wins its pay claim.

National Party plan

South Africa's ruling National Party unveiled a five-year plan on which it will base both its campaign for re-election and its strategy for a negotiated black-white power sharing agreement.

Neutral venue plan

Three Arab leaders, continuing a decafultory effort to resolve Lebanon's civil war, are trying to arrange a meeting of the Lebanese parliament outside the country to discuss political reforms.

Swapo accuses SA

Sam Nujoma, leader of the South West Africa People's Organisation accused South Africa of using members of a counter-insurgency unit to intimidate voters in Namibia.

Tunisian amnesty

Tunisian parliament ratified a general amnesty bill restoring civil rights to 5,416 people.

Gas blast kills 22

Gas explosion killed 22 people in a coal mine at Xinh in China's northeastern Shanxi province.

A bridge too far

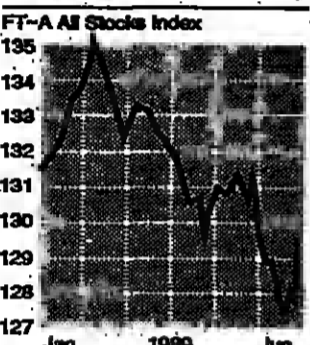
Paris Mayor Jacques Chirac appealed to the military to drop plans to install anti-aircraft guns on a road bridge over the River Seine to protect next month's Western summit.

Business Summary

GEC profit rise sets stage for Plessey bid

Pre-tax profits at the General Electric Company, Britain's largest electrical and electronics group, rose by 13 per cent last year as the company registered strong performances in its office equipment, electronic measurement and power systems divisions.

UK GILTS: Yields on long-maturity government bonds dropped briefly below 10 per cent as the market rallied amid UK GILTS



temporary enthusiasm about sterling and after Tuesday's sharp rally. The market retreated in the afternoon as sterling lost its early strength.

YERREZZI: Verani and Cabassi, Italian groups, are to bring together many of their interests in publishing, insurance and property in a single holding company to be quoted on the Milan stock exchange.

DE: Gerhard de Keek, who played a key role in restoring South Africa's credibility after US banks froze credit facilities in August 1985, is to step down as Governor of the SA Reserve Bank.

JAPAN: Industrial production recovered in May after a sharp fall in April reinforcing a view of continued economic expansion.

BANKER-BENZ: West German motor conglomerate, is planning to raise capital through a 1.5 for 10 rights issue to strengthen its financial resources.

CANADA: tabled a long-awaited blueprint for more effective control of the government's massive trade-distorting subsidies to their industries and other producers.

RAIFFEISEN: Danish insurance and finance group, is selling its Baltica Invest subsidiary to the unit's management following a Danish government decision.

YVES Saint Laurent, French fashion and business group, launched the sales campaign for its FF24m (\$31.6m) stock market flotation, due to take place on July 5.

DATAMATION, the authoritative US data processing journal, has published its annual "top 100" list showing dramatic growth rates among small, niche-market, computer companies.

SINGAPORE International Monetary Exchange proposes to launch a three-month interest rate contract.

KOITO Manufacturing, Japanese company under siege from Mr T Boone Pickens, US corporate raider, and Mr Kihara Watanabe, his Japanese ally, hit back with a tough-talking American-style counter-attack.

IMPERIAL Chemical Industries, Britain's biggest chemicals group, plans to step up investment in the Far East.

Uno's future darkens after further report of scandal

By Ian Rodger in Tokyo

THE FUTURE of Mr Souseike Uno as Japanese Prime Minister looked bleak yesterday despite his denial of reports that he had been asked to resign on Tuesday evening that he would like to resign.

Already embarrassed by reports of an earlier affair with a part-time galate, Mr Uno was widely reported to have considered resigning when he learnt on Tuesday that a weekly magazine was about to publish details of another relationship with a 16-year old apprentice model.

With the figures at the top end of market expectations the stage was set for an expected new bid for the Plessey electronic company. Page 17; Lex, Page 16

responsibility as Prime Minister. Despite the denials there is no doubt that senior party and government leaders were called for an emergency meeting at Mr Uno's official residence on Tuesday evening.

Political analysts in Tokyo said the episode means that Mr Uno's term as Prime Minister, which was never expected to be long, could end up very short indeed. However, it will be difficult for the LDP to replace him. Most of the party's leaders have been discredited because of their involvement in the Recruit scandal. Editorial comment, Page 14



Uno yesterday: denial

Brussels steps up attack on telecom service monopolies

By Tim Dickson in Brussels

THE EUROPEAN Commission yesterday stepped up its attack on Europe's telecommunications authorities by agreeing controversial plans to open many of their monopoly services to independent operators.

from the EC's competition rules. It also stresses that "the development of trade must not be affected to such an extent as would be contrary to the interests of the Community."

alised telecom market would operate, the rules would come into force several months later, when ONP is formally adopted under EC procedure.

US, Japan reach accord on mobile 'phones dispute

By Nancy Dunne in Washington

THE US and Japan yesterday agreed to resolve their long-running dispute over telecommunications trade with an agreement providing increased access to the Japanese mobile telephone market.

Acting on a complaint from Motorola that it could not introduce its small hand-held mobile phones into the Japanese market, Mrs Hill announced on April 28 that Japan was not in compliance with a previous pact reached in Market-Oriented Sector Selective (MOSS) talks.

Foreign representatives will be allowed to participate in the sessions of the Radio Regulatory Council when it is drafting or revising frequency allocations.

MARKETS table with columns for Austria, Credit Aldis, 3-month Treasury Bills, US Inflation, Federal Funds, 3-month Treasury Bills, Long Bond, 10-year, 3-month interbank, close 1988 % (same)

CONTENTS table listing various articles and their page numbers, including Jordan struggles with economic and political tinderbox, Italy: Exporters wait for the state, etc.

Large advertisement for Weatherall with headline 'We aim for a faultless property service' and sub-headline 'Many seasoned professionals say our experienced advice is even more valuable than a Centre Court ticket!'

OVERSEAS NEWS

Deng rejects Mammon and promotes plain living

By Peter Hingegen in Peking

IF CHINA can be said to have a strategy to combat trauma and mark out a way ahead - it is contained in a speech by Deng Xiaoping, the supreme leader, delivered nearly three weeks ago to army commanders.

China to retain economic reform while attacking "spiritual pollution" by stepping up indoctrination.

Electricity board chiefs sacked in Thailand

By Roger Matthews in Bangkok

THE Thai cabinet has sacked the chairman and most board members of the Electricity Generating Authority of Thailand, amid fears of power blackouts later this year.

De Kock to quit SA Reserve Bank

By Anthony Robinson in Johannesburg

DR Gerhard de Kock, who played a key role in restoring South Africa's financial credibility after US banks foreclosed on their loans in August 1985, is to step down as Governor of the SA Reserve Bank at the end of October, on grounds of ill-health.



De Kock: a little golf

The finest hour of Gerhardus Petrus Christiaan de Kock, the full-blooded Afrikaner name of South Africa's retiring Reserve Bank governor when he kept his humour, his nerve and his dignity as half the world's banking community was watching for the South African exit in August 1985.

country and padded around the banking halls of Europe and America asking bankers to calm down. South Africa would continue to pay all interest on outstanding loans and keep them "performing" on the books.



CHINESE student leader Wu'er Kaixi, in a videotape made after fleeing China, has made a dramatic vow to continue the struggle for democracy and predicted that the "wild beast" Communist leadership will soon fall.

Mr Wu'er, at times choking back tears, made several emotional references to the people killed during that battle, in which much of the fighting raged along Changan Street that runs into Tiananmen Square.

Bonn seeks to block Iran chemical cargo

WEST GERMANY said yesterday it would try to prevent the shipment of a chemical used to make deadly mustard gas from reaching Iran under a deal arranged by a West German company.

company, Rheinelsen Export of Düsseldorf, after receiving US allegations that it co-ordinated the sale to Iran.

under a foreign flag. He said he did not know the ship's name nor the nationality of the flag.

Bank of Korea plans won float

THE BANK of Korea, the South Korean central bank, has proposed ending the won's controlled float by the second half of 1990 and that commercial banks then be allowed to set their own rates freely.

In Taiwan, foreign exchange banks set their own currency rates which are based on the previous day's trading and allow a limited range of fluctuation.

to the dollar and did not contain the currencies of its rival trade partners, such as Singapore, Taiwan and Hong Kong.

Industrial index up in Japan

By Yuriko Miya in Tokyo

JAPAN'S industrial production recovered in May after a fall in April, according to the Ministry of International Trade and Industry, reinforcing the view that the economy is continuing its expansion.

Swapo says voters face intimidation in Namibia

MR SAM NUJOMA, leader of the South West Africa People's Organisation, yesterday accused South Africa of using money to intimidate voters in Namibia.

and killing Swapo supporters. The unit, which won a reputation for brutality during the territory's guerrilla war, was supposed to have been disbanded as part of the UN-supervised transition process leading to independence elections in November.

Asked about post-independence links with South Africa, Mr Nujoma said that a Swapo government would look at ways of reducing trade and transport links with South Africa. He called for an intensification of economic sanctions against Pretoria.

Tunis restores political rights

By Jihan el-Tahri in Tunis

THE TUNISIAN parliament has ratified a general amnesty bill restoring political and civil rights to 5,416 people condemned by the former regime for their political views.

that the beneficiaries of the law, for state security reasons, will not be reinstated in their former jobs, and it excludes people accused of high treason, violence and corruption.

The Tunisian government refused to legalise the Nahdha party, the country's largest opposition grouping, earlier this month on the grounds that its members of the movement's leadership remain stripped of their political rights.

Jordan struggles with an economic and political tinderbox

Two months after the riots the true scale of the country's problems is beginning to sink in, writes Lamis Andoni

TWO MONTHS after rioting over official price increases shook several Jordanian towns, the full enormity of the task facing the country's decision-makers is sinking in.

Real relief from this hand-to-mouth existence - either locally generated or through foreign financial assistance - is scarcely in sight.

The new cabinet, which includes a number of respected economists and supporters of democratic reforms, is in general accessible to the public and has already allowed more freedom of expression.

The new cabinet, which includes a number of respected economists and supporters of democratic reforms, is in general accessible to the public and has already allowed more freedom of expression.

vinced a significant part of the billions of aid dollars that poured into the country in the last decade has either gone to waste or into lining important people's pockets.

Western observers are also sceptical that Lebanonese MPs will be able to agree upon an acceptable venue for any meeting.

Lebanese parliament urged to meet

By Andrew Gowers, Middle East Editor

THREE Arab leaders, continuing a desultory effort to resolve Lebanon's civil war, are trying to arrange a meeting of the Lebanese parliament outside the country to disperse political reforms.

The solution: Arbitration.

Their response: Aggravation.

We're doing all we can to stop the strikes.

We know how annoying they are.

How angry they make our customers.

And what's most frustrating of all, we know how unnecessary they are.

Because the way exists to settle this dispute now.

It's through the Railway Staff National Tribunal.

It's totally independent and its chairman is agreed by management and unions.

It has a proven track record in settling differences.

The NUR are choosing not to use it.

They have failed to respond to repeated invitations from both the BR Board and ACAS to do so.

What are they afraid of?

The TSSA, the industry's second biggest union, is going to the Tribunal.

They want arbitration.

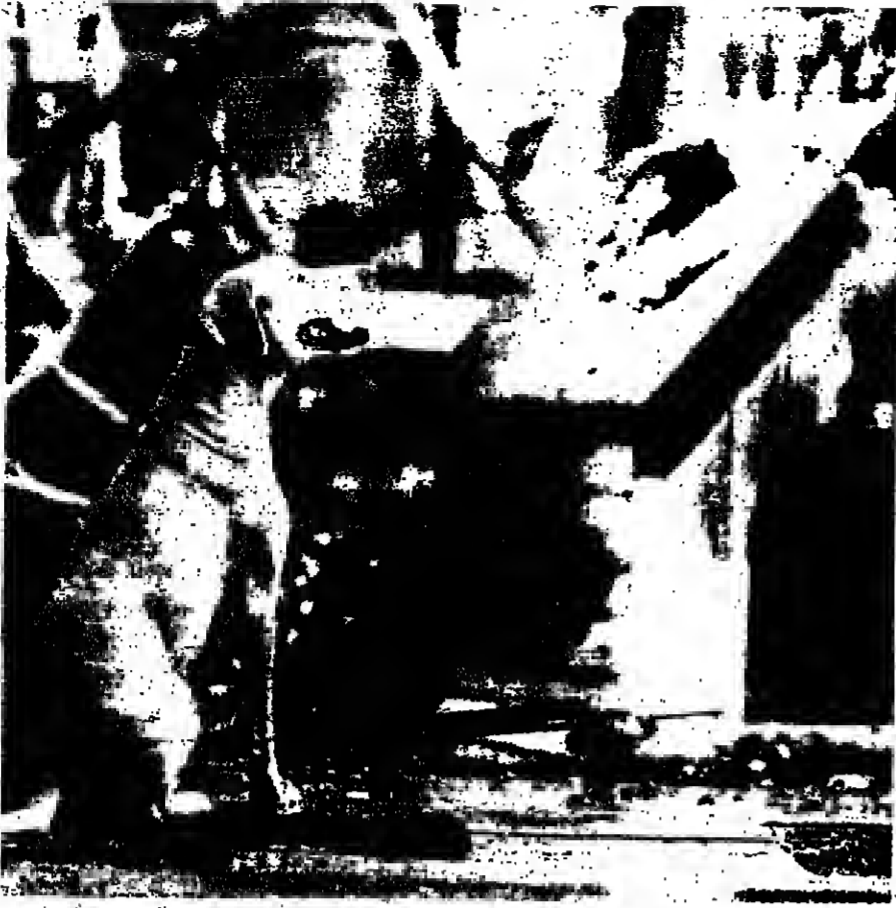
The NUR have called their next strike for 5 July, the very day of the Tribunal hearing.

For the good of our customers and of all railway staff, the NUR should think again.

They should call off the strike and go to the Tribunal next week.



In the last year public awareness of Guardian Royal Exchange has increased by over 50%. Life intermediaries rate our advertising as five times more effective than our nearest competitor. (Sources: Millward Brown & Taylor Nelson.)



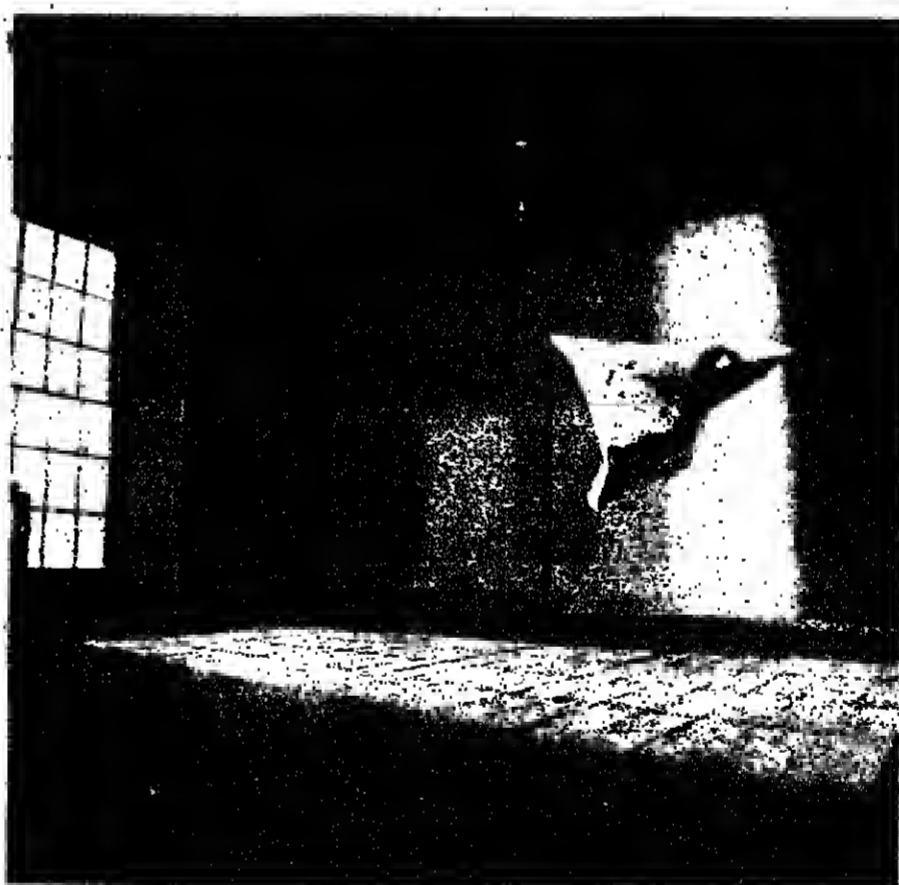
Our Blue Plao motor policy currently covers 1 in 20 private motorists. Private motor and household insurance showed a combined underwriting profit of 8% in 1988.

The profit from our worldwide life and pensions business increased by 21% in 1988. Choices is now one of the top brands in the pensions market attracting over 75,000 new policyholders in the last nine months.



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GUARDIAN ROYAL EXCHANGE

One step ahead, then another

UK NEWS

BSB shareholders explore link with Murdoch's Sky

By Raymond Snoddy

SEVERAL leading shareholders in British Satellite Broadcasting are exploring the possibility of co-operation with Mr Rupert Murdoch's Sky Television to try to avoid a damaging and costly battle between the two rival satellite television systems.

One significant BSB shareholder, who asked not to be named at this stage, said the aim was to see if there was a way to make it possible for the services of both BSB, which plans a launch in the spring, and Sky Television to be received on a single aerial.

Under current plans the rival systems are incompatible. The small informal group is being advised by Mr James Lee, the media consultant of the Boston Consulting Group and former chief executive of Pearson Longman.

Mr Lee, who led one of the unsuccessful consortia for the satellite broadcasting franchise ultimately won by BSB, warned at a conference earlier this month that the economics of satellite broadcasting had been destroyed at a stroke by the competition between Sky and BSB for programme and film rights.

"It is reasonable to predict that neither competitor will be able to break even until one

has been forced out," Mr Lee said.

The consultant who was involved in the now-aborted joint venture plans drawn up by The Disney Channel and Sky Television suggested that a partial merger between BSB and Sky made complete sense from a marketing and financial point of view.

The two groups, Mr Lee suggested, could set up a joint subscription film channel with a single customer management operation while competing with their advertising-financed channels.

For such a merger to be viable, either BSB would have to abandon its separate satellites and join Mr Murdoch on the 18-channel Astra satellite or BSB would have to persuade Sky to move to its system.

The two BSB satellites could be turned into a 10-channel high-power system by pooling the five direct broadcasting channels allocated by international agreement to the UK and Ireland. Government approval would have to be sought for this and for the concentration of media power of media power a joint BSB-Sky project would involve.

There have also been informal approaches from individual representatives of Sky Tele-

vision to individual BSB shareholders on the merit of a joint satellite venture.

The main BSB shareholders include the Bond Corporation of Australia, Granada, the UK leisure and entertainments group, Pearson, publishers of the Financial Times, and Reed International, the UK printing and publishing group.

It is unclear how many of BSB's 10 shareholders would be sympathetic to the idea of co-operation with Mr Murdoch. Some of the major shareholders such as Granada are still confident that BSB can make it on its own despite the fact a further \$400m has to be raised in addition to the \$423m already committed.

The financial pressures could, however, grow on Mr Murdoch if losses were to continue to run at around £150m a year.

For BSB the outlook would begin to get serious if the rescheduled launch, now thought to be March, were to slip even further because of technical difficulties.

It is clear that a merged satellite television operation would stand a much greater chance of commercial success at least in the short to medium term than a head-on contest which will split the market.

Britain and Brazil agree rainforest project

By Robert Graham

BRITAIN and Brazil will next month sign a pioneering environmental agreement monitoring the resources of the Amazonian rainforest.

The agreement will be signed by Mr Christopher Patten, Minister for Overseas Development, during a visit to Brazil from July 4-8. This will provide for Britain's various tropical research facilities to be channelled in a co-ordinated response to requests from the Brazilian Government for studying the rainforest.

Until now, the Brazilian Government has been extremely sensitive about any offers of international help in Amazonia, tending to regard them as interference in domestic affairs. The British Government was among the first to be approached for ideas and has been the first to respond, the agreement being put together in less than three months.

British officials were concerned that wide publicity in the Brazilian press given to reports published in the London Sunday Times newspaper about activities of UK companies in Amazonia might cast a cloud over Mr Patten's visit.

UK telecom retailers in joint venture

By Hugo Dixon

TWO OF the UK's leading mobile communications entrepreneurs, Mr Martin Dawes and Mr Marc Albert, have joined forces to spread cellular communications across continental Europe.

They have formed Martin Dawes Communications Europe, in which each will have a 50 per cent stake.

The new group has already set up embryonic operations in France and West Germany, and plans to expand to Italy, Spain and elsewhere over the next year.

Mr Albert and Mr Dawes have been among the most successful of the UK's cellular service providers, the function of

which is to retail mobile communications for Racal Telecom and Cellnet, Britain's two network operators.

Their aggressive marketing-led approach has been a factor behind the spectacular growth of cellular communications in the UK and has also made each man a multi-millionaire.

In most of continental Europe, however, mobile communications have been slow to take off, partly because they have been run as monopoly services.

These markets, however, are expected to take off after the decision by France and West Germany to license second operators to compete with

their monopolies and in the run-up to the launch of the pan-European cellular system from 1991.

Mr Albert and Mr Dawes are setting up operations now to benefit from the expected explosion in demand.

Their initial investment in the venture will be \$2m, rising to £10m during the next two to three years. Other UK groups, especially Racal Telecom, are keen to attack the same market.

The group will have two separate businesses beneath it: Eurocellular, which will be managed by Mr Albert, will be responsible for selling cellular phones directly to customers

either from shops or by advertising, and Martin Dawes Communications, which will be managed by Mr Dawes, will concentrate on establishing a European network of dealers.

The entrepreneurs say they are confident of good margins on the venture because of the high price of cellular phones on the Continent. Big profits will only materialise from their venture, however, if other European countries adopt the UK practice of allowing service providers.

These not only make a turn on selling equipment, but also get a share of the revenue spent on making phone calls.

Toyota to announce site

TOYOTA, Japan's leading car maker, is expected to announce in the next two weeks that it has chosen Shoton, North Wales, as the site for its planned European engine plant, writes Kevin Done.

The company is planning to invest around £300m (£136m) in the plant, which could also be used to produce other automotive components such as steering components and drivshafts.

The plant is expected to create about 300 jobs, but this

could be increased later in the 1990s.

The announcement about the North Wales engine plant will follow less than three months after the company revealed its plans to spend £700m to build its first European car assembly plant at Burnaston, near Derby in the East Midlands with a capacity for building 300,000 cars a year by the second half of the 1990s.

The two plants will involve a total investment of about \$835m, the biggest Japanese inward investment in Europe.

Rescue cannot shift liability, says Lloyd's

By Patrick Cockburn

THE COUNCIL of Lloyd's, the private insurance market, will not agree to any rescue plan for loss-making syndicates which shifts liability from members affected to members who have escaped loss, Mr Murray Lawrence, the chairman of Lloyd's, told its annual general meeting yesterday.

His rejection of suggestions that the council of Lloyd's was passive in the face of the mounting losses, now totalling £204m, facing members of the RHM Outwards syndicates 217/861.

Mr Lawrence identified the main problem facing Lloyd's as being the 114 years in which syndicates cannot declare final results because of uncertainty over future liabilities. He said Lloyd's council wanted "to ensure that any agent who takes this route does so truly as a course of last resort and never as any easy option."

Mr Murdoch Macleod, a spokesman for RHM Outwards, said later that the underwriting agency was frustrated by Lloyd's refusal to discuss a rescue plan it had proposed. He added: "It is very difficult to get Lloyd's off auto-

matic pilot when it comes to talking about unlimited liability."

Criticising the approach of the council to the problem of the open years and Outwards Mr John Dunner, chairman of Donner Underwriting Agency, told the annual general meeting that the present Lloyd's system was devised to cope with normal hull, cargo, fire, accident and motor business.

He said, however, that the present Lloyd's accounting system was proving inadequate when it came to US casualty business, where potential liabilities were immense, but future exposure impossible to compute.

"This had become clear only since the early 1980s. Members of syndicates or 'names' therefore have to pay cash to meet losses which are forecast rather than known to have occurred."

Mr Dunner said the solution to the problem of the open years was for claims to be settled on the basis of claims already made.

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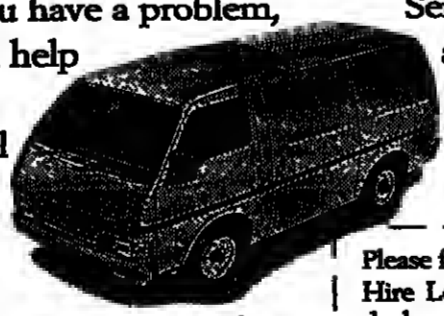
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OBITUARY

Margaret van Hattem: interpreter of politics

MARGARET van Hattem, who died yesterday at the age of 49, was one of the most vivid writers and personalities the Financial Times has seen in the last generation.

She was also a woman of extraordinary bravery. Her determination to continue working and to experience life to the full in the face of the most devastating of illnesses defied belief.

Born in the Netherlands, Australian by nationality and education, and a product of the Reuters news agency school of journalism, Margaret joined the FT's foreign desk late in 1975.

Two years later, she was in Brussels specialising in the common agricultural policy. In 1980, she was transferred to the political reporting team in Westminster. In 1988, she was made East Europe correspondent, based in London.

Journalists are often remembered by their stories and Margaret had her share of good ones.

Her understanding of the CAP at the turn of this decade, when it was the most important story in Brussels, was exceptional both for its grasp of detail and its political feel.

In domestic politics it was her coverage of Ulster that stood out, in which she was undoubtedly helped by her long-standing relationship with Brian Inglis, the author and journalist. She knew all the players, all the angles and all the motives.

She could also lay claim to have been in the number one 1983 the first political reporter to state unhesitatingly in print that Mr Neil Kinnock would succeed Mr Michael Foot as leader of the Labour Party — and to explain why and how.

Even though her movement as East Europe correspondent was necessarily limited by her illness, the mind and pen were as sharp as ever in some withering editorials and columns on Ceausescu's rape of Romania and in thoughtful analyses of the changes that Mr Mikhail Gorbachev was bringing to the Soviet Union and to the region as a whole.

She once described Yugoslavia as "a doughnut with hole in the centre through which fall all unity, co-ordination and hope of efficient management."

But the best journalists are also known for the way stories are told and in this respect, Margaret was exceptional. She loved words and her ability to turn a phrase could render the dense and complex instantly comprehensible.

Thus, she once likened the common agricultural policy to "one of those dinners where everyone shares the bill so you might as well order lobster." Again, on the same subject, "trying to help small farmers



Margaret van Hattem: notable Ulster coverage

by increasing prices further is like jacking up a skyscraper instead of adding a top floor. The cost is enormous and the effect on the small farmers minimal."

There was, perhaps, no finer example of colour writing to grace the FT in many a year than her account, early in 1986, of being roughed up at an Ian Paisley rally in Omagh. It ended as follows: "As I have often had occasion to speak to Mr Paisley and Mr (James) Moynihan in the Members' Lobby at Westminster, I know them to be prudent, discreet men and am grateful for their prudent, discreet rescue. All the same I will take no more chances. Can someone please send me the words of The Sash My Father Wore?"

Of an early operation against her terminal brain tumour, she wrote: "It was when I caught sight of the surgeon's green wellingtons that mild panic set in. I was prepared for a certain amount of mess in the operating theatre. I had not thought we'd be ankle deep in it."

And, when she was really "into" a story like Ireland, when her understanding, commitment and writing ability all came together at once, the results could be magisterial. Her analysis of the Anglo-Irish Agreement is still shown to newcomers to the FT as the exemplar of how to write a feature.

Above all, there was a passion to Margaret, in her life, her loves, of people, poetry, painting and music, her beliefs and her work. She would fight for all of them with a fierce tenacity and if — just occasionally — this exasperated her colleagues and friends it also engendered enormous respect and even greater affection.

Never more than in her struggle against the tumour which finally killed her. Even near the very end, she spoke of coming back to work, of travel, of ideas. Given the extraordinary way she could spin them all into words, it is a terrible loss that she cannot.

VAUXHALL. ONCE DRIVEN, FOREVER SMITTEN.

UK NEWS

A young man's flights of fancy win Fleet Street wings

Michael Donne, aerospace correspondent, retires after 44 years at the FT. He recalls a life-long passion

I HAVE always thought the Surrey countryside beautiful, but never more so than when I first viewed it from a height of several hundred feet early on an autumn morning in 1950, with the sunshine highlighting the slowly-clearing mist below.

Even so, within my flying suit I was still very cold in the open cockpit of the two-seat, side-by-side training sailplane. But that was of small consequence, for I was imbued with that strange excitement familiar to all novice aviators in the days of open-cockpit trainers, before the emergence of the closed-cabin luxury of today's flying schools.

Life was all going my way at the time. I was young, just turned 22, not long out of the Army (where I had been in the Anti-Aircraft Command), with a promising job on the FT and now, at last, I was learning to fly. I was poor, for a lowly reporter-on-the-boy's pay in those days was not generous - but I was not worried so long as I could pay my way and continue to fly.

Subsequently, flying for most of the past 40 years has dominated my life and work, involving me in flying some 3m miles in several hundred different aircraft (as a passenger, I must add), but well before that it had been my driving ambition. During my London childhood before the Second World War, it seemed an impossibly remote objective, for my family was very poor. I compensated by devouring the adventures of Biggles from the local public library with rabid enthusiasm, and dreamed of zooming around in Sopwith Camels and other

assorted biplanes.

When I was old enough to ride a bicycle and be allowed out by myself, I gravitated at weekends to Heston (close to where Heathrow was built years later), where I stared, unimpeded by authority, through gaps in the hedges at those God-like creatures landing and taking-off with incredible smoothness and regularity in their - to me - undeniably magnificent flying machines.

During the war, while too young for active service, my school in Oxford started an Army Cadet Force unit, which I joined but soon found boring. I transferred to the Air Training Corps, not without some school hostility, and to my enduring delight found flying at last opening up before me.

Apart from becoming enmeshed in the heavy intricacies of navigation, meteorology, Morse Code and other aeronautical theory (I became expert at aircraft recognition), I discovered that I could put on my blue uniform at weekends and cycle out to Kidlington aerodrome, then a war-time basic training field for bomber crews, and sit in the queue in the pilots' readiness hut, waiting for a trainee crew to say "Come on lad, you can come with us". It was called "Pre-Service Training" or "Flying Familiarisation", but in reality it amounted to free joyrides, and was wonderful.

I flew on innumerable weekends in all weathers with trainee pilots and their instructors in Ansons (twin-engine training aircraft) over the Oxfordshire countryside. To this day I can describe Blenheim Palace from the air better than I ever could from the



Michael Donne (centre) with Lord King, Chairman of British Airways (left) and Prof Roland Smith of British Aerospace

ground.

My home was shattered by Flying Bombs in the late summer of 1944, and I had to quit school and find my first paid job in a hurry in the Hammer-smith Public Library. The pay was appalling, however, and I found another job in Bishopsgate in the London with The Financial News (FN) early in 1945. By the time I was drafted for military service in 1946, the FN and FT had merged, and I was with the latter in Coleman Street, working in the Prices Room.

I wanted to join the Royal Air Force, but was rejected because it was already shed-

ding thousands of surplus personnel. Instead, I found myself square-bashing with the Royal Fusiliers at Witley Barracks, Breamford, in which there was no future, and so I applied to join the Gunners. I was posted to a Royal Artillery Anti-Aircraft Training Regiment in Oswestry, Shropshire, but after some hair-raising adventures with the guns in various parts of the country, legitimate and otherwise, found myself teaching reluctant girls the joys of anti-aircraft gunnery.

W e all thought it a useless pastime, and found much more interesting and exciting things

to do, both on and off the gun-site. But all good things come to an end, and the Regiment was disbanded upon my demobilisation in the spring of 1948.

Initially, I spent some time trying to complete my education part-time at the University of London, but found the college boat club more enticing. But the lure of aviation remained and eventually I enrolled for a gliding course at Lulsgate Bottom, now the site of Bristol Airport but then a disused bomber airfield.

It was one of the most rapturous holidays I have ever spent. The weather was glorious. We were on the airfield

early every day, keen to squeeze in as much training as we could. We were using "auto-tow", whereby one sat in a single-seat training glider, called a Tutor, at the end of a long cable attached to a battered motor car.

The car started down the crumbling runway, and as it gathered speed one was hauled into the air at the appropriate moment, learned by trial and error, one pulled a knob in the open cockpit, and hopefully the cable was released from the glider. The plane was left up there, some hundred feet or so above the ground.

It was delicious stuff, and there was plenty of it. As we improved, the cables got longer, we were hauled higher, gaining more time in the air and lessening the hard way the rudiments of flying.

Occasionally, the Chief Flying Instructor stopped swearing at us, became human, and took us up one at a time for a higher, longer flight over the Bristol Channel. The motorless flights made me conscious of the astonishing buffeting and noise while flying into wind, but the down-wind leg of a circuit was all peace and calm, and I could relax and enjoy what I have always regarded as pure flying.

I got my "A" licence at Bristol, but because I lived and worked in London, I joined the Surrey Gliding Club in Redhill, Surrey airfield then being restored to civilian use. We shared it with the University of London Air Squadron, assorted struggling commercial aviation organisations, and the Experimental Group of the Ultra-Light Aircraft Association, a

group of youngsters trying to fly on the cheap. On Saturdays in particular it was a very crowded airfield indeed.

I could not afford a car, and went from the FT office in Coleman Street to Redhill by train on Friday evenings, walking the rest of the way to the aerodrome to save money, clutching the meagre rations my mother had given me - for even at that time Britain was still in the grip of austerity, and rationing was much in force. I came back to the office from the airfield on Monday mornings.

From then on, flying sailplanes became ever more exhilarating. The "auto-tows" of Bristol gave way at Redhill to an old barrage-balloon which and steel cables that gave the planes several hundred feet of height, enough for a carefully-controlled circuit of the airfield, or about four to five minutes' flying time.

One either did it the easy way, paying half-a-crown for a simple circuit of the airfield, or the hard and expensive way. That involved finding a thick mat (a rising current of warm air upon which the sailplane could be lifted higher), so as to be able to fly away to land somewhere else - usually in some late farmer's field. That also involved paying for the cost of being retrieved by truck and trailer in which the dismantled sailplane was shipped back to base. Surprisingly, we had few accidents, because everyone was very careful,

although I must confess that I sometimes nearly gave my weary instructor heart attack.

But gliding became almost impossible as the winter set in, and then I turned to powered flying, with the Ultra Light Aircraft Association, based in a decaying, war-time hangar just up the slope from the gliding club. We were a small, light-hearted group with our own little aircraft, a delightful single-engine, open-cockpit de Havilland Moth Minor, G-AFOZ, which I believe the group had bought for £50 (in those days, that was quite a sum). We lovingly looked after it, doing all the maintenance and repairs and making the parts for it and making it not afford to buy them. We even re-roofed the hangar with bitumenised felt at our own expense.

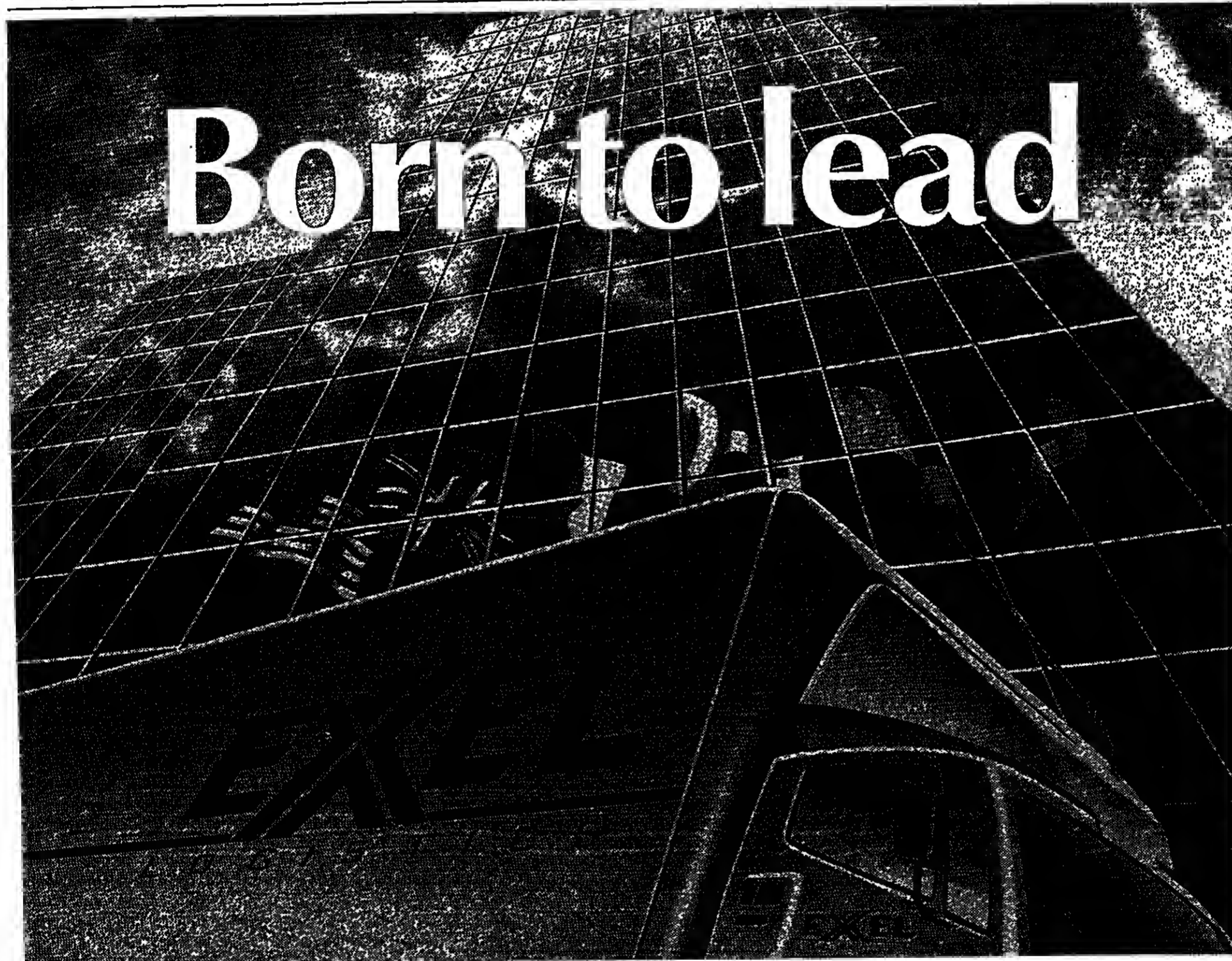
That particular Moth Minor was the first powered aeroplane I ever piloted (with the instructor in the back seat, and so it stands out in my memory).

W ith its open cockpit it gave me an aeronautical euphoria that I have never quite been able to recapture.

We paid for our petrol, oil and maintenance but were taught for free by the marvelous Jean Bird, a brilliant aviatrix with a tough, rough tongue who had served nobly in the Women's Air Transport Auxiliary during the war, ferrying bombers and fighters from the manufacturers to the squadrons. She earned her living by odd flying jobs and when they could be found.

Our set-up was rough and ready - we slept at the other end of the hangar from the aircraft and cooked our meagre meals over a battered stove. In fine weather it was delightful, but in the depths of winter we were often frozen. But we were fit and healthy, and I was enormous fun. We even had a black Labrador puppy called Jet, who loved flying, had his own log book and was occasionally taken up, clutched by his owner. Scoopy had nothing on him!

That was how I came to be the Aerospace Correspondent of the FT. One day early in 1953, the editor, Gordon (now Sir Gordon) Newton, came into the News Room, stopped by my desk and said: "I'm told you're still interested in this flying? I confessed that I was. 'Well', he said, 'I want someone to look after aviation for the paper. You're it, on six months probation!' And I have been 'it' ever since and enjoyed every moment.



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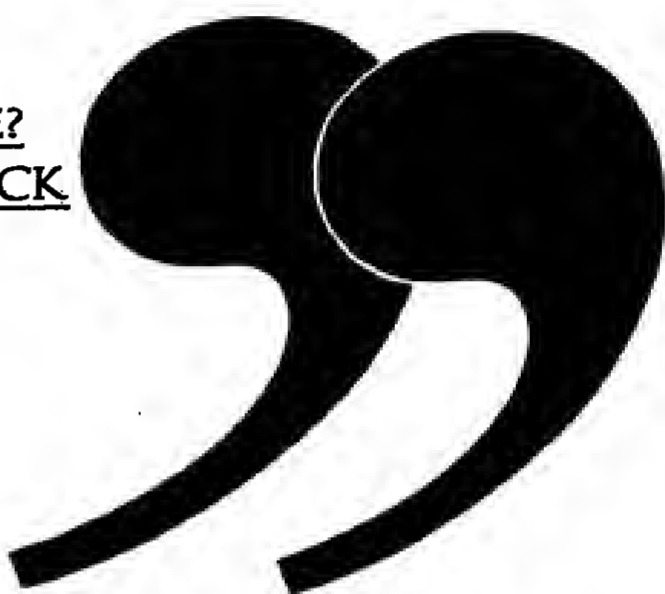
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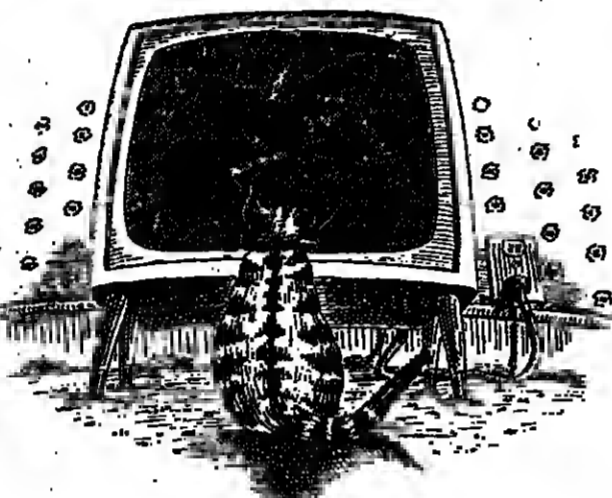
CLEARING THE AIR ABOUT HIGH-DEFINITION TELEVISION No. 2



IS AMERICA'S TELEVISION INDUSTRY IN TROUBLE? ARE WE ON FOOT OR ON HORSEBACK IN THE RACE FOR HDTV?

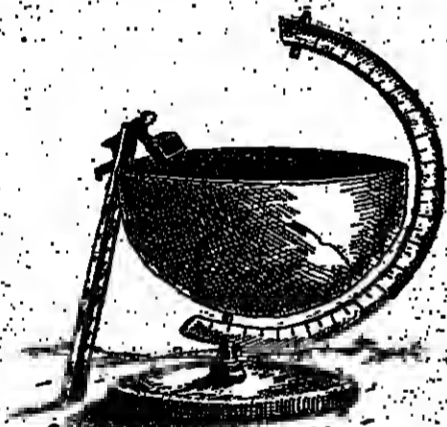


With all the talk about HDTV—home television with wide-screen film-like quality—many people would have you believe that the U.S. TV industry is gasping for breath. Even that America is "fighting for its high-tech life."



TV so good it looks almost real.

But, as Mark Twain said when he read his premature obituary, "the rumors of my death have been greatly exaggerated." Granted, America may not be the world's leading producer of TV sets, but we're in the game. What's more, consumer electronics are only part of the picture. In the professional segment of the TV industry—program production, broadcasting, and professional equipment manufacture—the U.S. is the major player.



The U.S. fills more than half the world's need for professional TV equipment.

Program production and post-production involve thousands of American companies that make TV shows and commercials. And because of the immense popularity of American TV overseas, the U.S. is the world's leading exporter of TV programs.

In the broadcasting area, the combined revenues of the more than 1,400 American-owned television stations and nearly 10,000 cable systems are almost \$40 billion—more than six times what Americans spent buying television sets last year.

Professional equipment manufacturers, who make the equipment for producing and recording TV programs, represent a worldwide high-technology market of more than \$3 billion a year. The United States dominates in this area, supplying more than 50 percent of the worldwide market.

For instance, Ampex Corporation alone had overseas sales last year of more than \$350 million to some 115 countries. That makes us one of America's biggest exporters.

As impressive as these figures are, the professional TV equipment industry is important for a much more important reason. It is here that advanced technology is developed first—not in consumer electronics. And it is from here that HDTV technology will be spun off to other industries.

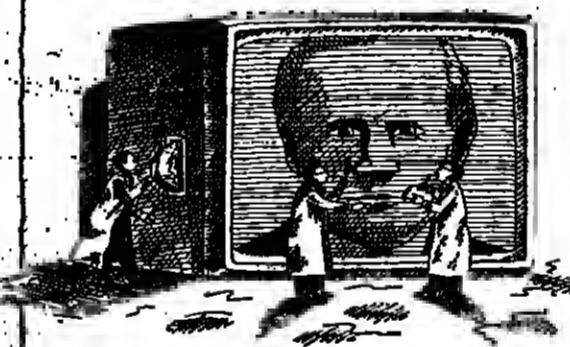
Before we can get HDTV in our living rooms, we first have to produce HDTV programs. And then we have to have some means of delivering HDTV to the viewer. The home receiver is only the final link in the chain.

STANDARDS

Setting standards is a monumental task.

It may come as a surprise that many professional TV equipment manufacturers already have the know-how to make HDTV products. And we will begin manufacturing and exporting just as soon as production and delivery standards are agreed upon.

Delivery standards—technical parameters set by the government for the transmission of HDTV to the home—are being deliberated right now. Once they are agreed upon, the industry will then be able to define the production standards for making programs.



How good a picture do we want? What are we willing to pay for it?

Equipment manufacturers, broadcasters, and program producers will not be able to risk the huge investments required for getting into HDTV until they know what standards they have to meet. And consumers will not spend money on receivers that may become obsolete even before they plug them in.

Standards have been effectively set in Europe and Japan, where the broadcasting environment is quite different—and in some ways less complicated—than it is in the U.S. For that reason, it may appear that America is behind in the race for HDTV. Not necessarily so.

The point is that America *does* have a thriving TV industry. We just have to decide how much improvement in picture quality we want and how much we are willing to pay for it.

We need to set standards that will be good for the consumer and the entire U.S. television industry—not just part of it. But, as we go about making these decisions, we should not be distracted by any clamoring crowds on the sidelines. Or by imaginary dogs nipping at our heels.

The standard-setting process appears cumbersome simply because there is so much at stake—both in technology and in international trade. Decisions need to be made rationally. Deliberately. And with full understanding of the consequences.



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MANAGEMENT: Marketing and Advertising

UK retailers put design on the rack

Alice Rawsthorn reports that the combination of increased costs and decreased consumer spending is worrying consultancies

The 1980s has been the decade when design hit Britain's high streets. Shops and stores, even banks and building societies, have been designed and redesigned into temples of post-modernism. And the retail design business has boomed.

investment priorities by the major multiple retailers. The UK's high street expenditure on retail design has been depressed for 18 months or so, is scarcely inspiring (see below). The situation in the UK is not nearly as depressed, nor as desperate, as in the US. But there is a dramatic difference between the sluggish sector of today and the booming business of the mid-1980s.

Death of new business in US

"IT IS A nightmare," says the head of one of the largest US retail design consultancies. "Competition has never been tougher. Some companies are cutting their fees to crazy levels. Others are throwing in free goodies to try to win new business."

For a year and a half the US retail design business has been in the doldrums. The big store groups cut their investment in design after the Wall Street crash in autumn 1987. And the business has never really recovered.

harder hit. In its case the problems of a lackluster market were compounded by the illness of one of its founders. Hambrecht has suffered a slump in profits. Peters has since brought Charlie Sparks, one of the country's top retail designers in Chicago, to New York to reorganise the business.



Department X, the Oxford Street store opened by the Next fashion chain at a time when a brave approach was being taken to design. Retailers are now reluctant to take risks

retailers to cast a more critical eye over budgets. Michael Soden, managing director of CDG, says that retail design expenditure declined after Christmas and has been sluggish ever since.

The longer term concern for the retail design business - which is already riddled with rumours about cost-cutting and job losses - is that this structural change may deter the major multiples from resuming expenditure on design, even if consumer spending recovers.

Richardson-Smith, one of the leading product design companies in the US, last year. Retail design should account for about a third of its turnover this year.

A mistake to ignore the female traveller

Richard Branson's Virgin Atlantic airline takes an unusual approach to business travel in its latest television commercial: it features a stylish female business executive enjoying the delights of the airline's Upper Class service and even taking the opportunity to ogle the male steward.

TECHNOLOGY

Choosing the right genes for the laundry

Clive Cookson explains how genetic engineering can improve on natural enzymes in the wash

Genetic engineering is transforming the production of industrial enzymes in ways that could lead to laundry detergents which remove all common stains by mild washing. In the food industry, cheap raw materials could be converted into delicacies.

They cloned the gene coding for the enzyme and used "recombinant DNA" technology to splice the gene into a different fungus, Aspergillus oryzae, which grows well in industrial fermenters. Within two weeks of starting the fermentation, Novo's Japanese factory in Hokkaido was turning out large quantities of Lipolase.



Fermentation tanks producing industrial enzymes at Novo-Nordisk's Kalundborg plant

secreted by Bacillus bacteria, called subtilin. Genencor uses patented techniques such as "cassette mutagenesis" to make a series of small mutations in the subtilin gene and then rapidly analyse the corresponding changes in the enzymes. They are trying both to protect the enzyme against harsh conditions in the washing machine and to make it attack stains more aggressively.

professor of biotechnology at Strathclyde University, says that protein engineering will not be widespread use for at least five years. He suspects that the new enzymes will be less stable than natural enzymes.

BP attempts to prophesy the value of research

By David Fishlock

The way that British Petroleum uses cost-benefit analysis to evaluate the performance of its research and development operation has attracted attention from the heads of R&D at other European companies with big research budgets.

I think it has focused our minds on the bottom 10 per cent

Cost-benefit analysis was the response of Professor John Cadogan, BP's research director, to his chairman's challenge: what am I getting for the £150m a year I spend on central R&D? The technique was presented to the EIRMA round table from the perspective of BP Chemicals, a customer for corporate R&D.

FINANCIAL TIMES SURVEY



The view of 1997 has been permanently changed following Tiananmen Square. Thousands of people are starting the process of emigration and investment decisions have been postponed. Now the task is to rebuild confidence, writes John Elliott

A new set of fears

The sharp angles of IM Pei's striking new 75-storey Bank of China building have taken over the skyline of Hong Kong island during the past year, piercing the clouds and providing the greatest foretaste of China's resumption of sovereignty in 1997.

People in nearby buildings, ranging from private flats to the governor's house and the Hongkong and Shanghai Bank, have moved desks, pictures and mirrors to ward off evil spirits which, according to the superstitions of Chinese *feng shui*, will emanate from the building's triangular structure. But the building has demonstrated China's commitment to the colony and no one has resented it.

The reality of Tiananmen Square has shocked the Hong Kong Chinese out of this almost lethargic mood. No longer is it the risk of *fung shui* spirits casting evil on behalf of Peking that worries people. Now there is a real fear of crushing repression by China's People's Liberation Army some time in the future. The view of 1997 has been profoundly and permanently changed.

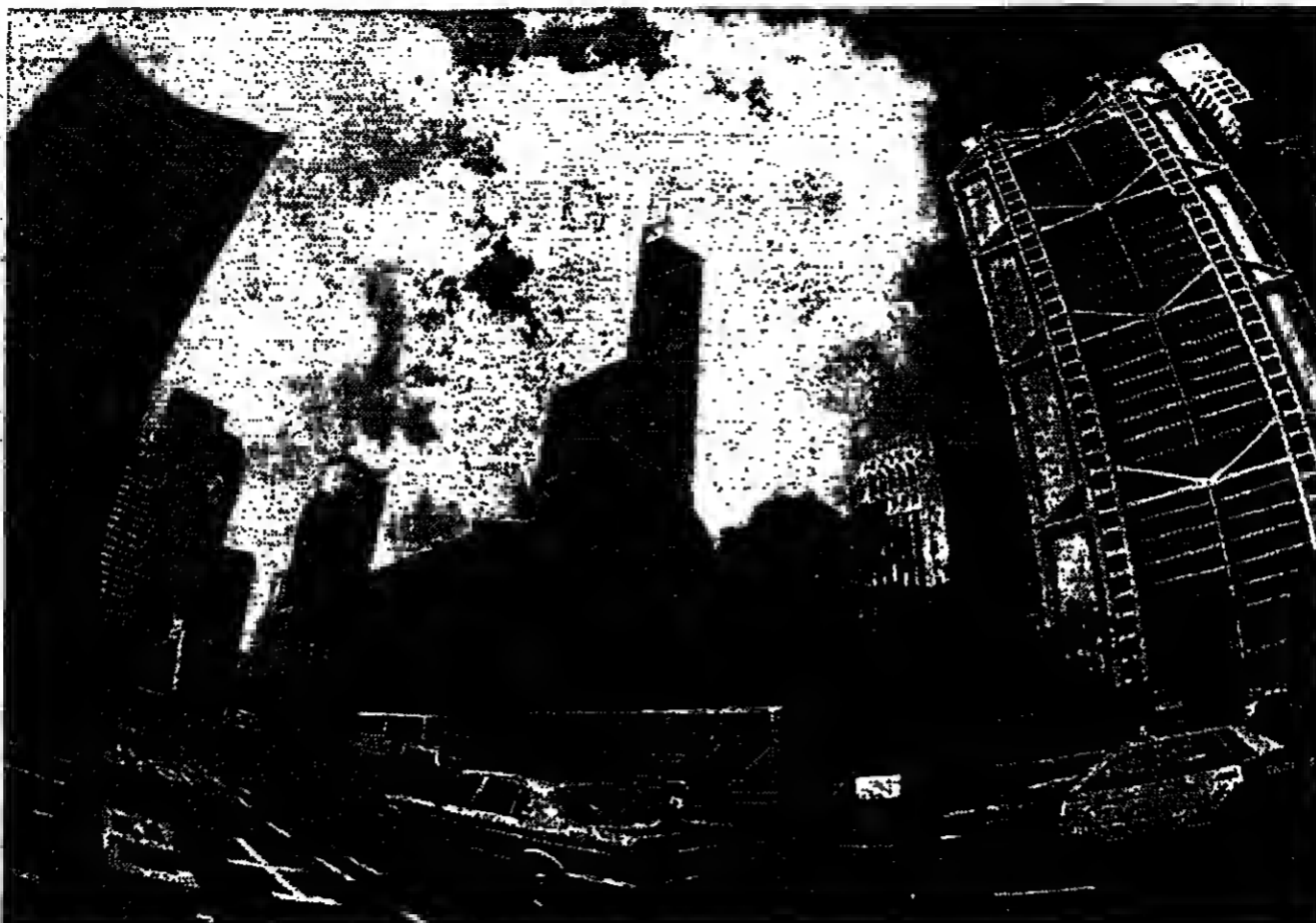
I know for foreigners the pictures on television every evening of the army crushing the students, and now of the

purges, must be horrifying," says Dame Lydia Dunn, senior member of the Executive Council, Hong Kong's mini-cabinet. "But imagine the shock of the impact on me as a Chinese - our hopes have been dashed."

The community is still in a state of shock as a result of these events and it is impossible to tell quite how long that shock will last or what its effect will be," says Sir David Wilson, the governor.

This has stemmed from two factors. First, there was the sheer cruelty of the army crackdown. Second, the repression dashed almost euphoric hopes of a more democratic era which had been raised by the peaceful student demonstrations. The government's action appeared to put at risk the past 10 years of liberalisation which had been making it possible to believe that a capitalist and increasingly democratic Hong Kong might be able to live inside communist China. In the official parlance, "one country two systems" might work.

Until the crackdown, worries about 1997 were concentrated on the risk of Hong Kong decaying as an internationally important financial and trading centre because of Communist interference or bureaucratic hassles. Such vague



The Bank of China building: unlucky angles, but no longer the main preoccupation

HONG KONG

economic worries were mainly felt by leading businessmen. Now they have turned into real fears felt by the whole community, and this has bred a sense of isolation and uncertainty.

Thousands of people have started emigration moves that might swell the current brain drain of about 42,000-45,000 people a year. Investment decisions have been put off and people are anxiously watching Guangdong, the prosperous Chinese province adjacent to Hong Kong, where 2m or more Chinese workers are employed by the colony's companies and where an estimated 20 per cent of Hong Kong's currency is openly in use.

The number of property deals in Hong Kong has slumped and prices are expected to fall. Spending in shops has declined, as have hotel bookings. Some forecasters suggest that Hong Kong's economic growth rate might fall from an expected 6 per cent this year to 4.5 per cent, possibly sliding further to 3-4 per cent next year.

"Confidence is bad. It is not an easy time for any of us," says Mr Vincent Lo, a prominent young entrepreneur and convener of the right wing businessmen's Group of 88. He had cultivated close links with Peking and now, like many others, finds it difficult to adjust. "The economic foundations are strong but the emotional shock is large. It is a very difficult time," he says.

This mood of unease will continue and many businessmen suggest that there may well not be time for confidence in China to be rebuilt before 1997. "Running Hong Kong will be exceedingly difficult till 1997. This community sentiment is such that it will just not be possible to bail them to trust China and believe in the future any more," says Mr Allen Lee, an industrialist who is the senior member of the Legislative Council.

But this does not mean that Hong Kong is set on a course of inevitable decline. In many ways the economy has shown more resilience than might

have been expected during such a severe China crisis, given its increasingly close economic links and the prospect of 1997. After initial angry outbursts, China has also become relatively restrained in its criticism of the massive backing in terms of demonstrations, money and propaganda which Hong Kong gave the Tiananmen Square students. As one prominent businessman put it, Hong Kong was sure to be seen by Peking as a "counter-revolutionary centre".

Hong Kong's future depends, however, on China continuing to regard it primarily as a vital entrepot and an economic window to the world. "China is not offering us one country two systems out of love for this population, but out of their own self interest - so they will want to keep Hong Kong's confidence going so that it remains of value to them," says Dame Lydia.

Now the Hong Kong government hopes that China will do more to boost confidence later

this year by agreeing to controversial demands for improvements in the draft Basic Law, or mini constitution, that will govern the territory after 1997. It will also want assurances about the Chinese army not being stationed in the centre of Hong Kong. If China resists these demands, which are now being drawn up in detail, there will be a further slump in confidence and a risk of social unrest.

In political terms, the government is also attempting to boost confidence (and quell a rising tide of anti-British feeling) by calling on the UK to organise passports and a right of abode for the Hong Kong Chinese who make up 97 per cent of the 5.7m population. It is also pushing hard for international action on more than 45,000 Vietnamese boat people to whom it has given temporary refuge.

On the economy, it is continuing to draw up confidence-boosting plans for major projects, including a new airport and port, plus a cable televi-

CONTENTS

Profile of Sir David Wilson	Economy	6-7
Towards 1997	Property	2
Prospects for the various communities	Tourism	8-9
	Map	6
Leading candidates for the job of chief executive	Editorial production:	
	Diane Summers	
	Photography: Ashley Ashwood	

KEY FACTS (1988)

British colony	reverts to Chinese sovereignty July 1 1997
Population	5.73m (97% ethnic Chinese)
Tourist arrivals	5.69m
Land area	1,070sq km
Population density	5,355 persons/sq km
Currency	HK dollar pegged at HK\$7.80:US\$1
GDP per capita (current prices)	HK\$24,917 (14.2% growth)
Total exports	HK\$43.7bn (30.4% growth)
Domestic exports	HK\$217.7bn (11.5% growth)
Re-exports	HK\$275.4bn (50.7% growth)
Total imports	HK\$498.8bn (32% growth)
Labour force	2.78m including:
manufacturing	837,000
wholesale, retail, export/import	321,000
finance, real estate, business services	238,000
hotels and restaurants	181,000
Seasonally adjusted unemployment rate	1.3%

Source: Hong Kong government

sion franchise which could lead later to a second telecommunications service. There is a general mood of wanting to prove to the world - including China - that Hong Kong is still a stable, vibrant, and internationally-important regional centre. This mood should hold firm around September or October when directions should become clearer.

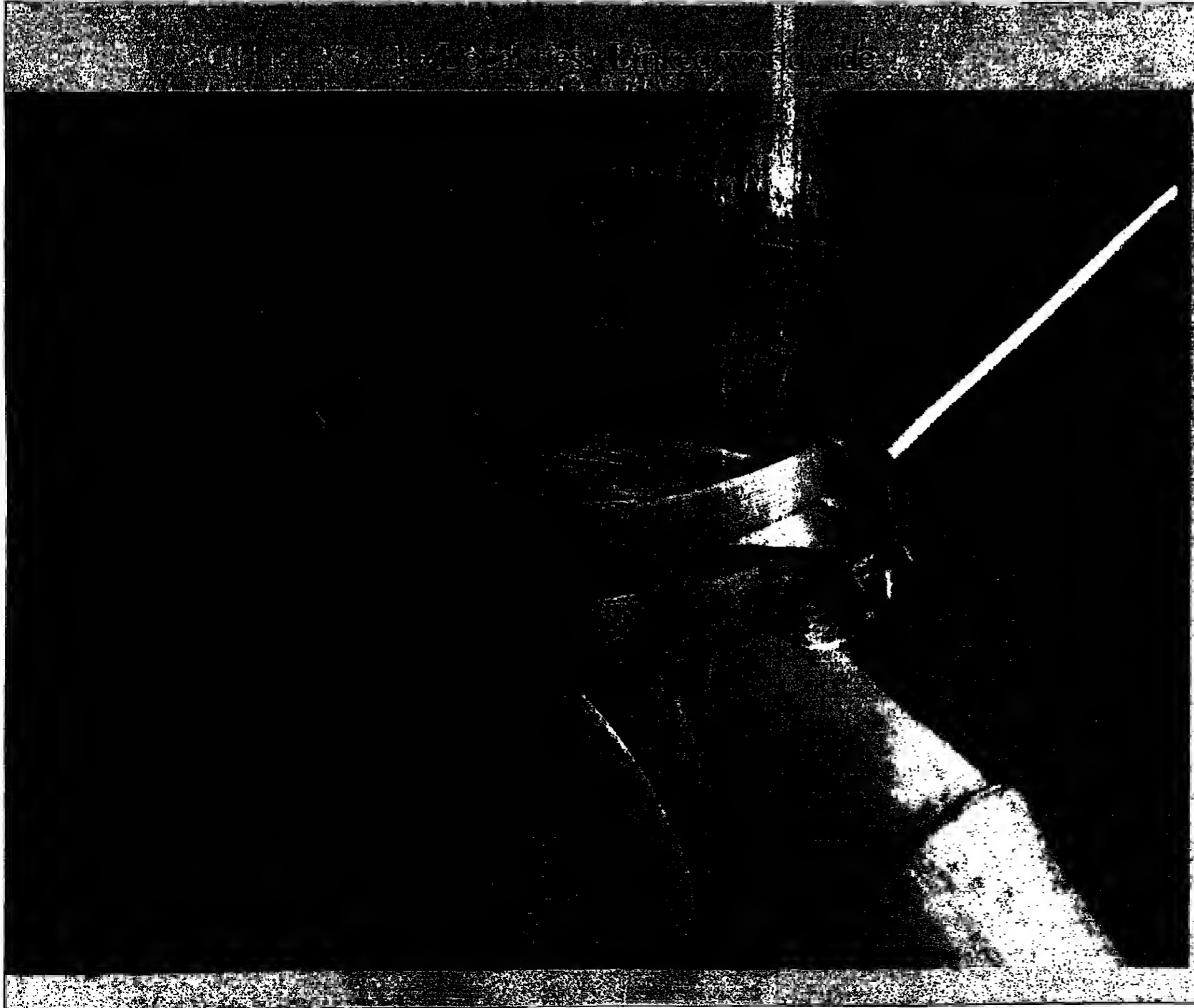
That is the time when it seems most likely that talks with China could be formally resumed by Hong Kong and the UK on issues like the Basic Law. It is also the time when, after western summer vacations, companies will be looking again at postponed investment decisions both in Hong Kong and China, and when the impact on Hong Kong's tourist and other industries should emerge.

If China appears calm; if its economic liberalisation is intact; if Guangdong is back to normal, and if Peking proves conciliatory on issues like the Basic Law and stationing the army, then Hong Kong's confidence could gradually build up again. Investors and speculators will remember that there is more than time for another investment cycle before 1997 during which projects can be built up, sold and sold again - and fortunes can be made. They will repeat the often-heard comment that it is just as well the Tiananmen Square crisis hit in 1989, not in 1992-93 when there would not have been time for another investment cycle. But it will not take much to

tip confidence down again, if things go wrong, because of the enormity of the recent shocks which affected different people in different ways. Older people who left China in the first wave of immigration from Shanghai around 1949 have seen harsh persecution before and have merely had their total lack of trust in Peking, and their worst fears, confirmed.

Those who left in the 1960s and 1970s, after the cultural revolution, were perhaps prepared to give the new Chinese leadership the benefit of the doubt - but no longer. Younger people in their teens and early 20s, who had confidence about Hong Kong's post-1997 potential, have had their dreams dashed. "Peking will not let democracy work here - two months ago I'd have said 'maybe' but not now," says Sam, an 18-year-old Hong Kong Chinese student. He was one of a group discussing the future after the China crisis. "Look at Tibet and you know we won't have independence or freedom," said Anthony, a 17-year-old born in China. "The People's Liberation Army will come to Hong Kong, and if it's not the army then they will send hard-line officials to interfere somehow or other."

The massive task facing Hong Kong, Peking and the UK is to overcome such fears in people of all ages so that, slowly, some of the old confidence can return and people can worry more about *fung shui* and think less about the People's Liberation Army.



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HONG KONG 2

John Elliott talks to Sir David Wilson, governor of Hong Kong

Working with the grain of opinion

SIR DAVID WILSON, the British diplomat-turned academic who is the governor of Hong Kong, intends to push China to agree that the pace of democratic development in the colony should be speeded up. But he does not put it so bluntly and that, according to his critics, is part of his problem. Since coming to the job in January 1987, he has often appeared bland and retiring.

Now, with Hong Kong facing serious problems in the wake of the China crisis, both Sir David and the British government are likely to be more robust - Sir David showed this recently by arguing for Hong Kong people to have British passports and by calling for action to solve the Vietnamese boat people problem.

"The Hong Kong community is still in a state of shock as a result of the events in China and it is impossible to tell quite how long that shock will last or what its effect will be," he says.

The shock was caused by the horror of the Peking army crackdown at a time when China seemed to be set on a liberalising path that would help Hong Kong.

First, there is the demand for passports. Meeting that would answer people's search for personal security. Next, there is a need to build democracy "to give a greater sense of confidence".

"What has happened in Peking has made people much more worried than ever before about their own future and safety," Sir David says. "Most people would like to stay in Hong Kong because they like it here, but in the wake of recent events they are looking for assurances about their future in terms of a right of entry to the UK if things go badly wrong."

He refuses to comment directly on a warning issued by Dame Lydia Dunn, senior member of the Executive Council, Hong Kong's inner cabinet, that Britain would find Hong Kong difficult to administer if it refused to issue passports.

He does admit, however, that "the task of administration will be much easier if people do have assurances about their own future". The job of government had been made "harder because the events have damaged confidence".

The problems have also



Sir David Wilson: evolving style

brought an "interesting sense of unity" and the "beginnings of a consensus" between liberal and conservative wings on the question of how fast Hong Kong should move towards universal franchise for the election of the legislative council and the first 1997 chief executive.

"Our interest must be to take account of the new mood in Hong Kong and to persuade the Chinese that things need to be done in and for Hong Kong to try to reassure the people," Sir David says.

He points out that Peking drafters of the Basic Law had in the past been asking for a common Hong Kong view on the pace of change and added: "In order to help recreate confidence, I would hope the drafters would very much take into account the sort of views which are developing here."

In Sir David's cautious style, these remarks mean that his government would consider accelerating the introduction of democracy in the 1991 elections and would push China to agree to parallel changes in the draft Basic Law for later polls. But Sir David is not showing

his hand on what he calls the "slope of change". He is not prepared to say whether the British and Hong Kong governments will try to force the pace by going ahead with 1991 direct elections before knowing what Peking will put in the Basic Law for 1997 and later.

"If opinion in Hong Kong is moving faster, then we would want to take account of that in how we develop the system between now and 1997," he says. "But we would also want to have arrangements which were to go on after 1997 - one does not want to build up something that will not go through."

Sir David passionately rebuts suggestions that the people's new interest in political participation and democracy means that the British and Hong Kong governments were wrong to introduce only a slow pace of democratic development last year. Critics allege that the UK bowed to pressure from China.

"The philosophy we have followed is to work with the grain of opinion in Hong Kong - if things have changed we should now take account of the

changes," Sir David says. "I will never admit to the thesis that we have not been robust. We choose what to say [to China] in public and what in private, in order to get across our points."

Sir David rejects suggestions that the 1997 handover of sovereignty should be cancelled. "It's a nonsense because we are constrained by history and our right of administration for most of Hong Kong ends in 1997," he says. "None of us can simply wipe out the date 1997."

To suggestions that the Sino-British Joint Declaration should be torn up, he says: "I don't think it would make sense because you would be left with nothing and the treaty itself is very good, given all the historical circumstances. What is now needed is an immense amount of effort by Hong Kong, Britain and China to make sure it works in practice and that people believe it is going to work in practice. There are no viable alternatives."

But can people trust China now? "People's confidence in China has been very badly shaken and I hope the Chinese

government will take measures to try to restore that confidence - the sooner that happens the better. And if you try to stand back from our present state of shock, you can say quite correctly that China has a good reputation for keeping international agreements."

But as a Chinese scholar, has Sir David's view of the country changed? "I didn't expect such an indiscriminate degree of violence. But it doesn't totally overthrow my view of China because the element of repressiveness has always been there, and the fear of chaos has always been a strong thread going through the Chinese leadership - accelerated by the cultural revolution."

"Now they have, as seen by most of us outside China, over-reacted to the problem that they faced, but one notices this thread of the fear of confusion running through the Chinese leadership for generations."

Sir David has been outspoken about the problems of the Vietnamese boat people, and he acknowledges that the vast majority of Hong Kong's population are against admitting the would-be refugees.

If Hong Kong carried out its recent threat to end its role as a place of first asylum, "the majority of the population would want the boat people dissuaded from coming - that would be harsh because if people had nowhere else to go, you could face them sinking their boats in front of you."

Liberal sentiments such as these have little support among the population. Sir David acknowledges this creates a problem for his colonial government. "It is very difficult for any government to go on pursuing a policy which is strongly disliked by a large proportion of the population - that is one of the things we have been trying to explain to the international community."

Returning to his personal style, Sir David emphasises the need for a governor to leave room for local politicians and senior civil servants to develop their roles. But should he change his style to help boost Hong Kong's morale? "My style is one which I hope evolves to meet whatever the needs of the circumstances are," he says - which basically means he does not see why he should.

TOWARDS 1997

A new consciousness

HONG KONG has been shaken out of its political lethargy by the recent events in China. People have suddenly become concerned about the real implications of the return to Chinese sovereignty and even about some aspects of the Basic Law, or mini-constitution, which will govern Hong Kong after June 30 1997.

In the past there has been no tradition of political activity in Hong Kong. As a British colony, it has been administered by civil servants and a governor, with some cautiously selected senior community figures sitting on basically advisory councils - an executive council, or mini-cabinet, and a legislative council.

Indirect elections to the Legislative Council started in 1985 but there has been little real political activity. Attempts to start political parties and alliances have not gone well, partly because of a lack of political sophistication among the participants and partly because Hong Kong Chinese are more interested in making money and building personal wealth than indulging in collective activities.

There is also a serious lack of top political leadership. This became evident during the recent crisis when neither the governor, Sir David Wilson, nor the chief secretary, Sir David Ford, nor any other prominent public figure emerged to lead public opinion as several hundred thousand people took to the streets in protest against Peking.

Nevertheless, there is a new political consciousness. This means that Hong Kong will be going through a period of unduly political development in the next few years. Different personalities and factions will emerge and try to mark out claims for public leadership as the colony moves towards 1997.

The enthusiasm of many of the participants, however, will be tempered by a fear that one day after 1997 Peking might try to purge people who have spoken out against its policies and actions.

Efforts to form political parties have not succeeded so far. Mr Stephen Cheong, a member of the Legislative Council, has shelved his plans partly, he says, because the "intelligentsia and middle classes" who would form the bedrock are diverted by thoughts of immigration.

An alliance formed by Mr TS Lo, a prominent lawyer and public figure, lacks direction. A third party to represent the "middle ground" is now being mooted by Mr Jimmy MacDonnell, a former senior civil servant who is the industrialist member of the Legislative Council.

Other parties could emerge led by people such as Mr Martin Lee, the prominent liberal lawyer and democracy campaigner.

But the main priority in Hong Kong now is to boost confidence. The first aim is to try to persuade the British Government to issue full UK passports in order to stem the brain drain.

The second aim will be to try to strengthen the Basic Law, the second draft of which emerged from Peking last February, so that the new Special Administrative Region of Hong Kong can maintain the "high degree of autonomy" after 1997, as promised in the 1984 Sino-British Joint Declaration.

There is no significant support for trying to change the 1997 handover date or for renegotiating the Joint Declaration. Talks in a Sino-British Joint Liaison Group, which is handling practical issues connected with 1997, have stopped because the UK has unilaterally postponed a formal meeting. The most likely provisional date for a new meeting is September or October.

Work on the final draft of the Basic Law, which Peking was to have produced in its final form by the end of the year, has also been delayed. There have been some resignations from drafting and consultative committees in Hong Kong, which has also temporarily stopped the formal consultative process.

The government and various interest groups in Hong Kong are drawing up detailed lists of points they want strengthened when consultations restart. First, there will be a general move to speed up the introduction of universal suffrage because many conservative businessmen have begun to revise their opposition.

"With the participation of the Hong Kong people in the recent weeks' activity, there is no need to hold back democracy," says Mr Vincent Lo, co-convenor of the Businessmen's Group of 88. There is a consensus grow-

ing for half the Legislative Council to be directly elected in 1988, with the other 50 per cent being indirectly elected through existing special interest groups. Everyone would be directly elected by 2003, along with the region's chief executive.

This is dramatically different from earlier heavily qualified ideas which stretched to 2021.

Whether the conservative business lobby will eventually accept this remains to be seen. If the new dates do get general support, the percentage of directly elected seats in the 1991 legislative assembly elections will have to be increased by the existing Hong Kong government, possibly being doubled from 10 to 20 seats.

Other Basic Law plans include: opposing the idea of a large People's Liberation Army contingent being stationed in Hong Kong; switching the right to declare martial law from Peking to Hong Kong; strengthening human rights with a Bill of Rights to be passed by the existing Hong Kong government; and strengthening clauses connected with the independence of Hong Kong's powers to introduce and adjudicate its own laws.

Hong Kong hopes China will extend the consultative period which should end within the next few weeks.

China will also come under pressure from the UK and Hong Kong to accept all the major changes being mooted in its final draft. This could prove controversial because, up to now, China has only been prepared to listen informally and privately to the views of the UK and Hong Kong whose governments are now likely to want to speak out more publicly.

"The drafting of the Basic Law is not only for the Chinese," says Dame Lydia Dunn, senior member of the Executive Council, illustrating a new tough line. "The promulgation of the law is for the Chinese but the British government has a responsibility and a right to make sure that the law implements the Joint Declaration."

"So the British Government must assert itself a lot more and quite openly so that the community knows the UK is standing up for its obligations."

John Elliott

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HONG KONG 3

Prospects for the various ethnic groups are examined here and on the next page

Lucy Kellaway looks at the brain drain

Foreign passports provide insurance

Flow of resignations

IN 1997 China will regain sovereignty over the landmass of Hong Kong Island, Kowloon and the New Territories, plus the surrounding territorial waters. But that does not necessarily mean it has an automatic claim on the people or their wealth - the people mostly being refugees from earlier harsh Chinese regimes who have built the colony into one of the world's great economic success stories.

HONG KONG'S POPULATION table with columns for ethnic groups and population counts.

However, it is impractical to believe that all the 5.7m population can - or would even wish - to leave. There is no chance, therefore, of China inheriting only a concrete jungle version of the 'barren island' as Hong Kong was characterised by Lord Palmerston more than 150 years ago when the British arrived.

That is why a major controversy has built up over whether Britain should issue full passports to some or all of the Chinese who make up more than 97 per cent of the population, plus about 11,500 Indians and Eurasians.

of British immigration laws introduced since 1962 which have whittled down the rights of people from the British Commonwealth to settle in the UK.

Neither group has a right of abode in the UK. After 1997 they will not have British consular protection because, under China's laws, having been born in China or Hong Kong, they are ethnic Chinese and are, therefore, Chinese nationals.

People are trying to ensure that they have a bolt-hole

National (Overseas) passports. The other 2.32m Chinese are immigrants from China who have not applied for naturalisation. Some came legally, some illegally, but they are now officially settled in Hong Kong and travel on a Certificate of Identification which, to the rest of the world, means they are of uncertain identity unless they have kept Chinese passports.

THIS YEAR'S favourite theme for Cantonese soap opera concerns a young family divided. The mother and children have emigrated to Canada, the father remains in Hong Kong to make a few more dollars before joining them.

That is why there is an accelerating brain drain of people going abroad to gain a foreign passport. Ideally, the 3.24m would like to be entitled to a British passport because that would provide British consular protection at a time of crisis. They would also be able to leave Hong Kong without any problem and live, even if only temporarily, in the UK while they organise a new life.

A British passport would give people the confidence to continue living in Hong Kong until the time of any crisis. Otherwise, they have to seek one in countries such as Australia, Canada or the US.

from 45,000 last year. The forecast has now been increased to 50,000 for next year, although it could be closer to 60,000.

The outcome depends on the attitude of the receiving countries, and the three most important - the US, Canada and Australia - are either close to quotas already.

The raising of standards and the length of the queue - anything from 3 months to 10 years and getting longer all the time - has forced potential emigrants to look to other countries. So far, Singapore has proved the most popular.

applicants. The brain drain is imposing heavy economic and social strains on Hong Kong. All employers are having to cope with a steady flow of resignations among young professionals, and the larger ones are devising new ways of keeping them.

For international companies the problem is perhaps easier: many are rotating their employees through foreign offices, while some of the French banks are promising French passports in order to keep their Hong Kong-based staff. Others are forced to fill vacancies with foreigners.

Emigration is also draining the country of its entrepreneurs. Both Canada and Australia are willing to grant visas to businessmen with capital of about Aus\$650,000 (£318,000) and in the past year more than 5,000 rich locals have left.

CHINESE

Working hard, making money

AS A visitor flies into Hong Kong's Kai Tak airport, the plane swings past gigantic estates of white tower blocks of flats, then levels off above slim tenements of Kowloon before skimming across squalid roof-tops and landing on one of the world's most crowded runways.

round the streets in baggy trousers and shawls are successful speculators on the local stock or property markets. Government salaries are good enough for a married couple, both working, to have been known to save sufficient (possibly with the help of their families) to pay the £150,000 needed to obtain a right of abode in the UK.

The vast proportion of people are well enough off and sufficiently enterprising to make their own way - wherever they might end up if 1997 were to prove unbearable. This does not mean, however, that they can all manage to go abroad to find foreign passports, even if they all wanted to and even if the foreign countries would take them.

At the top end of the population are massively rich tycoons - as the local version of Yip Pao. Along with many more, they have world-wide interests which they are expanding, and they could instantly arrange to live wherever they wanted in time of crisis.

There are also a few thousand specially-privileged senior civil servants who have been issued secret code numbers by the Hong Kong government. They would be guaranteed instant admission and right of abode in the UK if they had to leave. These people have pledged that they will work in Hong Kong until the end of their careers, or until there is any trouble.

For example, police and other security officers who have handled sensitive cases, especially during riots in the 1960s, could easily find themselves targets for revenge after 1997, as could many others.

These controversial special arrangements for government employees underline the one fact that unites all the Chinese in Hong Kong: none of them trusts Peking and they have no confidence about what will happen after 1997.

John Elliott

INDIANS

Traders in a trading centre

SIKH HOTEL doormen with black and white turbans and black boots; scruffy Sikhs lounging against bank doors clutching ancient rifles - these are the instantly visible signs of one of Hong Kong's smaller ethnic communities, the Indians and Pakistanis.

Mr Harlela estimates that in Hong Kong there are about 16,000 Indians and Pakistanis - the distinction between the two nationalities is blurred because many families arrived long before the 1947 partition of India.

The majority are part of the internationally-known Hindu trading community of Sindhis who come from a desert area north of Karachi and west of Bombay adjacent to the Indian state of Rajasthan. In Hong Kong their business tactics are often criticised and disliked by the Chinese.

Of the total, about 10,000 (8,000 Indians and 2,000 Pakistanis) are thought to have Indian passports, so could go back to India. The group which is causing more concern, and which has been pushing for special British passport treatment, is made up of the remaining 6,000 who qualify for British Dependent Territories Citizens passports.

Mr Harlela's association is lobbying for a total of about 11,000 people which includes this 6,000 plus 2,000 Portuguese and Mearnese and 2,500 Eurasians, Indonesians, Malaysians and other similar small minorities. All have the BTDC passport problem and resent the fact that they are not being better looked after.

John Elliott

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HONG KONG 4

GWEILOS

Brain drain benefits the foreign devils

IT IS one of the ironies of the countdown to the end of British colonial rule in Hong Kong that the size of the expatriate community here is on the increase. There has been an influx of new arrivals to fill the vacuum created by the brain drain within the local Chinese professional classes.

White expatriates are known locally as gweilos, literally foreign devils. The term is used for all non-Chinese foreigners that has been adopted by Europeans as their own label. Most are from Britain, North America or Australia, with smaller numbers from continental Europe, New Zealand and South Africa - all of whom, of course, have passports for their home countries.

Official Hong Kong immigration department statistics for the various communities are difficult to interpret: even though most Chinese families return on their Hong Kong passports, some can use their new travel documents when entering the territory.

The Canadian consulate has made a rough guess that there could be around 30,000 Canadian passport holders in the colony, mostly people originally from Hong Kong. The Hong Kong immigration department lists 10,800 Canadians, but even this number could include many local Chinese as well as Canadian expatriates.

The same sort of problem applies to the 10,400 figure for Australians, while the 8,500 Portuguese are likely to almost all be locals born in Macao who have taken the opportu-

nity to get Portuguese citizenship. The United States provides the biggest single community, numbering 18,100 at present, in a testimony to their powerful business presence in Hong Kong. This number, however, also includes many locals with newly-acquired American citizenship.

The British presence is listed as 14,700 strong, well down from 19,000 five years ago.

People are reluctant to give up the lifestyle, with its clubs, yachting and junk trips, luxury flats and swimming pools, and active social circuit

partly because of lower numbers in the civil service and the police as a result of Hong Kong Chinese progressively taking over public sector jobs. The 2,100 British soldiers who man the territory's garrison are counted separately. Other communities include the Japanese, Thai and Malays, with around 10,000-11,000 each.

Because they already have other passports the gweilos can afford to adopt a wait and see attitude towards 1997, unlike the locals. In the meantime, they are reluctant to give up their clubs, weekend yachting and junk trips, luxury flats and swimming pools, and active

social circuit. The majority are on contract terms, serving as middle and senior level executives in the financial sector and numerous trading companies, law and accountancy firms. Many work for multinationals which will eventually post them elsewhere. Young gweilos in their 20s are concentrated in the stockbroking sector - they come for a few years of high living and useful work experience.

In addition to these short-term people there is also a solid core of long-term residents, many of whom have spent most of their lives in Hong Kong and regard it as home, even though most will retire elsewhere to places like Spain and Portugal.

For the long-term residents there is naturally some concern about the future, particularly among civil servants whose career prospects have been dimmed by the localisation policy. However, according to Mr Duncan McInnes, president of the Association of Expatriate Civil Servants, the government - which pays high salaries compared to the UK, is still recruiting staff from overseas to offset the brain drain.

So, providing the brain drain continues and the economy remains buoyant, and assuming there is no upsurge in anti-European sentiment during the run-up to the handover to China, Hong Kong's expatriate community is likely to remain in place and even grow.

Michael Murray



The boat people mostly live in a mixture of cramped open camps and tough detention centres

BOAT PEOPLE

Group with the most precarious future

THE NUMBER of Vietnamese boat people in Hong Kong is now slightly more than the total number of Filipino maids - around 45,000-50,000 - making them Hong Kong's largest single ethnic group after the Chinese.

But, unlike the Filipinos, who are willing and legally imported by employers, the boat people are unwelcome res-

idents who are resented by the Chinese population.

China has said all the boat people must leave by 1997 - presumably either by being repatriated to Vietnam or resettled in the West. Officials have said privately that those left will be thrown out. So, of all Hong Kong's ethnic groups, these people have, perhaps, the most precarious future.

They mostly live in a mixture of cramped open camps and tough detention centres. Recently, a heavy flood of new arrivals meant that Hong Kong ran out of covered accommodation and housed newcomers in the open air.

The first ones arrived in May 1975 in a batch of 3,700. This built up slowly to a total of 65,000 in the first seven months

of 1979 when Hong Kong was dubbed a country of first asylum. Under local pressure, Hong Kong decided in 1982 to put them in closed camps.

It further tightened its policy in June 1988 when it said that all new arrivals would no longer be accepted automatically as refugees deserving resettlement in the West. Instead, it would regard them as economic migrants and, therefore, illegal immigrants who would qualify for repatriation to Vietnam unless they proved in a screening process that they were genuine political refugees. The move was intended to deter new arrivals, but it failed because over 30,000 have arrived since last June. This number is twice the total of just over 14,000 recognised refugees who arrived before June last year and are still in the colony.

About only 10 per cent of those so far screened have proved themselves to be genuine political refugees but attempts at voluntary repatriation for the rest have made

only a slow start. Following a recent international conference in Geneva, Hong Kong wants to repatriate all those now dubbed illegal immigrants, voluntarily or forcibly, to Vietnam. The rest would be resettled in the West. Originally, the boat people were fleeing from a war-torn

China has said all the boat people must leave by 1997

and poverty-stricken country with a harsh Communist regime. The situation in Vietnam is changing and there is less international sympathy. In Hong Kong there is particular resentment because the boat people are taken in and housed by the government. Meanwhile, illegal immigrants from China - who often have local connections - are immediately repatriated.

John Elliott



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The scene on a Sunday is more reminiscent of downtown Manila than Hong Kong

FILIPINOS

Graduate maids teach the children English

EACH SUNDAY Hong Kong's Central financial district plays host to an outdoor gathering, with roads closed to traffic and thousands of people sitting out on the pavements picnicking,

listening to music and chatting. But the language to be heard is Tagalog and not Cantonese, and the scene is more reminiscent of downtown Manila than Hong Kong, as a good proportion of the colony's 45,000 Filipina maids enjoy their day off after a week of washing, cooking and looking after the children of Hong Kong's rich.

At the start of the decade there were only a few thousand Filipina domestics, most of whom speak fluent English, in the territory. This had surged to 31,000 by 1986 and is now heading towards the 50,000

'Filipinos have always gone abroad to work - there is a long history of migration'

mark, with the 5,000 new recruits each year reflecting Hong Kong's booming economy and increasing affluence. "Filipinos have always gone abroad to work - there is a long history of migration," said Miss Elizabeth Buensuceso, consul at the Philippine Consulate General in Hong Kong. She points to large numbers in the Middle East and Europe - in particular Italy - as well as around south-east Asia.

According to Miss Buensuceso, about 90 per cent of the employers in Hong Kong are Chinese; they see the teaching of English to their children as an important task in addition to the normal household chores. However, the local Chi-

nese population does not always make the Filipinas feel very welcome, and the post-1997 future of the community will depend partly upon the immigration policy of the first special administrative region government, which might one day consider giving preference to people from China itself, especially from Guangdong province.

At present, about 70 per cent of all maids are brought in via specialist placement agencies, and are paid a lump sum by the Filipinas themselves. Contracts are valid for two years, with a minimum monthly wage of HK\$2,500, return airfare, one day off per week plus a number of statutory holidays. This compares to wages of only 2,000 to 3,000 pesos (or HK\$720-1,080) per month back in the Philippines in occupations such as teaching. This explains why many Filipina maids working in Hong Kong are well qualified and include some graduates.

Many maids stay in Hong Kong far longer than two years, either by renewing their contract with the same employer or transferring to another when their contract expires. However, they are still required to obtain a fresh visa stamp in their passports every six months.

These temporary workers have become a permanent fixture in Hong Kong and, as long as the economy continues to grow, more Filipinas are likely to continue arriving - domestic help has become an accepted part of the lifestyle of the wealthy.

Michael Murray

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On this page, John Elliott and Michael Marray profile the leading candidates for the job of chief executive in 1997

The search for a colossus

ON JULY 1 1987 the British governor of Hong Kong will be replaced by a chief executive. This top official in the new Special Administrative Region will have the primary responsibility for conducting relations with Peking and, along with a legislative council, for ensuring that the new region enjoys the "high degree of autonomy" laid down in the 1984 Sino-British Joint Declaration.

A common pattern is for leading politicians and administrators to emerge as a country approaches the end of colonial rule. Hong Kong, however, is not achieving independence; significant political leaders have yet to develop and there is a vacuum at the top.

This state of affairs is partly because the UK and Hong Kong governments have done little to encourage the

development of democracy (although this is now changing) and, in the past, have even slowed the process down in accordance with China's wishes.

With 1997 looming, few people have wanted to adopt a high-profile political role and risk conflict with Peking.

The second draft of the Basic Law says that the chief executive "shall be a Chinese citizen of no less than 40 years of age who is a permanent resident of the region and has ordinarily resided in Hong Kong for a continuous period of 20 years". The person must be one of "integrity, dedicated to his/her duties".

The draft law says that the job will include: leading the government; signing and implementing legislation; leading executive orders; appointing and dismissing public officials; handling

external relations; and deciding on criminal pardons.

How the first chief executive will be chosen is still a matter of intense political debate. Liberal campaigners want election by universal suffrage to underpin the independence of the post from Peking.

Till the Chinese army crackdown, the majority view in Hong Kong accepted a Peking-influenced electoral college to choose the first one or two incumbents. The idea was to ensure that they were acceptable to the Chinese government and so would not cause unnecessary and destabilising friction.

This view has now changed and the importance of primary acceptability to the Hong Kong people is being stressed, with full direct elections starting not later than 2003.

There are no ideal candidates yet in line for the job.

The person must be clearly acceptable to the Hong Kong people and, following the recent Chinese crisis, must not have any divided loyalties with Peking. At the same time, however, he or she must be acceptable to Peking. How this potentially wide gulf can be straddled is not yet clear.

The profiles here cover some of the people currently most often talked about. They are all involved in Hong Kong's political development and will almost certainly still be around in 1997. Other candidates, including senior civil servants, will emerge later.

Some current leaders, notably Dame Lydia Dunn, senior member of the Executive Council, are excluded because they are identified too closely, either personally or professionally, with the British.

John Chan

JOHN CHAN, or Chan Cho-chak, is one of Hong Kong's highest-flying senior civil servants and would have been a strong candidate for the chief secretary's job if British rule had continued. He could yet take over the job from Sir David Ford, the present incumbent, before 1997.

Mr Chan, aged 46, has recently become secretary for trade and industry, a posting designed to broaden his experience after two years as deputy chief secretary when he was closely involved in slowing Hong Kong's slow moves towards democracy.

At least up until the time of the Tiananmen Square massacre, he firmly believed in co-operating with China and said that the first chief executive had to be acceptable to Peking's leaders.

"The more comfortable they feel, the less likely they are to interfere and the better it is for Hong Kong," he says. After the army crackdown he qualified this by saying that the person "must first be acceptable to and have the support of the people of Hong Kong" only then can there be confidence in his dealings with China.

A short rotund pipe-smoker, Mr Chan is an ambitious and cautious man who checks the background of people he meets and says no more than is absolutely necessary. "I may not be interested in such a difficult job. I am not sure I would feel confident enough," he says.

Mr Chan's close involvement

in running Hong Kong under the British could be a disadvantage. But he has, at least until the past few weeks, been carefully cultivating his links with the mainland. At present he is a quiet runner if China wants a bureaucrat to fill the job.

Martin Lee

MR MARTIN LEE, or Lee Chu-ming, made his name as one of the most sought-after barristers in Hong Kong after graduating from the University of Hong Kong.

Now a Queen's Counsel, the 51-year-old Mr Lee spends as much time on politics as law from his platform as the elected representative of the legal community in the Legislative Council. He is also chairman of the Consumer Council.

His barrister image has, in the past, given him less grass roots appeal than some of his liberal colleagues in the Council. He has criticised the city's establishment with his sometimes extreme views and prickly manner, and a tendency to be an instant spokesman on everything. But the recent turmoil in China has swept him along on a wave of popular support.

Long before recent events in Peking, Mr Lee was supporting the building up of democratic systems in Hong Kong to stop China interfering after 1997. He has argued that universal suffrage in Hong Kong, by that date, is the only way to achieve this, and stresses the chief executive must unhesitatingly put Hong Kong first in any conflict of interest with Peking, rather than try to balance between the two.

"I have been kept on one thing - to give the people a democratic structure, whatever is in power can be removed by the system," he says. The personality of the chief executive would then become of secondary importance.

Mr Lee would almost certainly win a popular vote tomorrow. However, if keeping Peking happy is the name of the game, he would find himself some way down any list of likely candidates.

over is in power can be removed by the system," he says. The personality of the chief executive would then become of secondary importance.

Mr Lee would almost certainly win a popular vote tomorrow. However, if keeping Peking happy is the name of the game, he would find himself some way down any list of likely candidates.

David Li

DAVID LI, or Li Kwok-po, head of the Bank of East Asia, is a 59-year-old Cambridge-educated banker from one of Hong Kong's oldest and best-known families.

Mr Li has combined the unlikely twin roles of major player in the business community and vocal critic of the

Allen Lee

ALLEN LEE, or Lee Pang-fai, is the relaxed 49-year-old businessman who last year became the senior member of the Legislative Council. He runs a successful electronics company which has a minority stake in a Guangdong plant and, until recently, was chairman of Hong Kong's Broadcasting Authority.

Widely respected for his balanced views, he has sometimes seemed excessively pragmatic - a stance he is now changing following the Tiananmen Square massacre.

"It is too early to say whether we should try to change the 1997 hand-over date - but I would not totally rule it out. In the Basic Law we must build in provisions to reflect clearly that it is to be one country and two quite different systems and that any

interference by China is entirely unacceptable," he says.

Mr Lee now believes the first two chief executives should be indirectly elected, provided the electoral college is democratic, not rigged by Peking. "The chief executive must command the Hong Kong people's respect and Peking must accept that. Of course, it is better if the person is acceptable to Peking, but even if he is not, he should still have the job and it is then his responsibility to establish a working relationship with Peking."

Mr Lee is the man with most going for him as a chief executive candidate - unless his close involvement with the present British-based administration counts against him. His easy manner, business and political experience, and the

Vincent Lo

VINCENT LO, or Lo Hong-sai, is one of Hong Kong's most successful new generation of entrepreneurs. One of four sons of YS Lo who came to Hong Kong from Guangdong in the 1930s and founded the Great Eagle property empire, Mr Lo runs Sun On, one of the fastest-growing property and



public exposure of his present position, provide him with an ideal springboard. In the current crisis he has a unique

construction group.

Mr Lo hit the headlines last year when he sold his Sun On office centre for a record HK\$2.5bn to a buyer with mainland China backing. The buyer defaulted and the deal collapsed, but not before it had dramatically boosted Hong Kong's property and stock markets.

A smartly-dressed 41-year-old, Mr Lo has emerged on the political scene as co-owner of the Group of 88, a right-wing businessmen's lobby with strong Peking links. Formed to influence the debate on the Basic Law, this group has opposed rapid democratic development, but is now changing its line.

"We were very impressed by Hong Kong people's participation in the recent demonstrations. If they are prepared to be involved we don't mind faster development of democracy," he says. But Hong Kong must ensure that Peking continues to see it as a useful economic and financial window on the world, not just as a centre of hostile demonstrations.

Highly thought of by top Hong Kong government officials, Mr Lo has strong mainland business and other connections. Now he is learning about the world of politics. Other similar people could well emerge in the next few years but, at present, he is a prominent candidate to be the chief executive, even if he is rather young for 1997.

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BARCLAYS

May 1989

TS LO

TS LO, or Lo Tak-shing, is a 54-year-old Oxford-educated solicitor and a well-known public figure. He comes from one of Hong Kong's most aristocratic families, with a tradition of serving the British. His father received a knighthood.

But Mr Lo broke ranks in 1985 when he resigned from the Executive and Legislative Councils after the UK refused to give Hong Kong people passports and a right of abode. "I was no longer prepared to be part of a council which peeped up such a colonial regime," he says.

To this point, he set up a non-profit making company called Hongkong Freedom of Movement and Right of Abode to advise people on how to emigrate and obtain foreign passports.

A few months ago Mr Lo formed one of Hong Kong's first political parties, the New Hong Kong Alliance. It is intended to emerge slowly by 1997 as a common front, but suffers from a lack of direction.

He doubts whether it is possible to have a democracy within a non-democratic China. But he insists that Hong Kong must work with Peking which, at least till a few weeks ago, he trusted. "We can do nothing against China unless you want a revolution. So we must keep cool and realise we are part of China."

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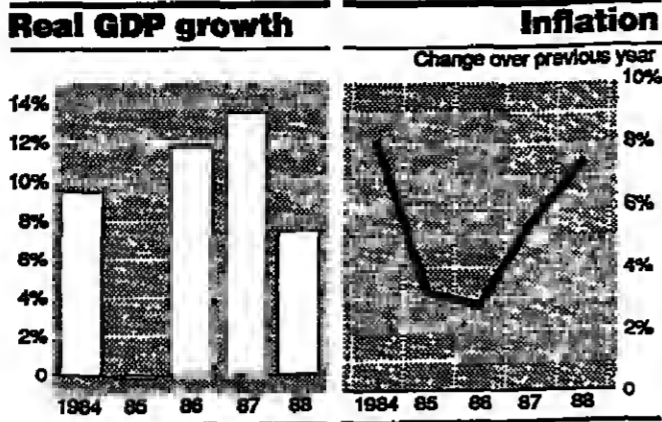
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HONG KONG 6

Lucy Kellaway examines economic prospects

The spring is tested



HONG KONG'S economy is one of the most flexible in the world. An almost complete absence of government interference, wages that go down as well as up, a phenomenally active class of local entrepreneurs, and an open door to foreign investors have enabled the economy to bounce back quickly from each successive shock.

The reduction is mainly due to a reduction of trade with the US, as it fights with its imposing trade deficit. Moreover, the recent rise in the US dollar, against which the Hong Kong dollar is pegged, will also help slow things down a bit, by making Hong Kong's goods less competitive.

government has pursued a tight fiscal policy, which, as the economy has gone on growing, has turned progressively tighter. Indeed, a fiscal surplus, initially expected to be about HK\$5.6bn last year, has turned out to be closer to HK\$1.6bn.

LABOUR Shortage puts strain on the economy

THE FLIP side of Hong Kong's economic success is a desperate shortage of labour. The mighty Hongkong Bank has 750 permanently unfilled vacancies, while other companies in every sector from services to manufacturing to construction have similar tales to tell.

A number of companies are shifting domicile Offshore move speeds up

WHEN CHINA takes over Hong Kong in 1997 it may find that the thriving business zone is strangely devoid of company headquarters.



Trading floor of the Hong Kong Stock Exchange

STOCK EXCHANGE People make all the difference

THE ARCHITECTS of Hong Kong's stock exchange, rebuilt from the ruins of October 1987, never dreamed that a second shock was just 18 months away.

Advertisement for MONEY 89, a financial conference. It includes a stylized tree logo and text describing the event's focus on Hong Kong's economic future.

Advertisement for Hughes-Castell Ltd, an international company providing legal recruitment and executive search services. It features the company logo and text about its global presence.

Advertisement for 'the Regent' hotel in Hong Kong. It features a large headline 'POWERFUL VIEWS WITH A POWERFUL VIEW' and describes the hotel's location and amenities.

Advertisement for Schroders, a leading merchant and investment bank. It lists various services including banking, corporate finance, and investment management, along with contact information for its Hong Kong office.

HONG KONG 8

How much of a slump will follow the property market boom of the past year?

'Wait and see' line on residential sales

A 12-MONTH surge in prices on Hong Kong's property market finally ran into difficulties in early June. Following the violent crackdown on the protest movement in China, investors paused for thought as they looked down from the dizzy heights reached in all sectors of the market.

The 1988/89 property boom emerged against the unlikely backdrop of the 1987 world stock markets crash. Transactions dried up for several months as many investors sat waiting for a clear direction to be established. They then found they had to rush to jump on the bandwagon of spiralling prices.

This time round there are still those who are looking for another gravity-defying performance. Most, though, are anticipating a drop of 10 to 20 per cent in sale prices, and do not, in the short term, expect to see many of the kinds of multi-billion dollar deals which were a feature of 1988 and early 1989.

In the commercial rental sector, however, property agents remain reasonably optimistic about the future. Rentals for office space in Hong Kong's central financial district are now more expensive than those on New York's Wall Street, ranking number three behind Tokyo and the City of London in the world league table. Indeed, local landlords have been encountering some resistance from tenants as leases come up for review.

The cost of prime office space for rent doubled between the start of 1989 and the first quarter of 1988, with figures of up to HK\$75 per sq foot per month now commonplace in a prestige address such as Hong Kong Land's Exchange Square, and HK\$50 in the, as yet unfinished, Bank of China building though there are substantial discounts for large users.

Soaring rentals have led to the phenomenon of rent refugees, with many companies moving back office functions to new office buildings in hitherto industrial and residential areas of Kowloon, particularly those which are adjacent to stations

along the underground Mass Transit Railway network.

This means that office developments are now competing for scarce space with industrial buildings, adding to concern among manufacturers about rising rental costs which they, themselves, have experienced over the past year. There is a particular demand for well-located good quality warehouse space.

In Hong Kong's bustling retail sector, shop frontage on main roads and within the many indoor shopping centres is also fetching good prices, as consumer spending continues

Though reasonably optimistic about the outlook for the office, industrial and retail rental sectors, property agents are increasingly worried about the residential sales market — individual investors may have been scared off by recent events

to be strong. Though reasonably optimistic about the outlook for the office, industrial and retail rental sectors, property agents are more worried about the residential sales market where, with confidence badly shaken by the bloodshed in Peking, individual investors may be scared off.

"If there is any sector to be hit it must be the residential market," said Mr Gareth Williams of property agents Vigers Hong Kong. Figures from Vigers show that prices for residential flats grew by 48.5 per cent between the first quarter of 1988 and the first quarter of this year.

"What is happening is that people are taking a wait and see attitude," Mr Williams said. Vendors are reluctant to sell at lower prices and so few transactions are actually going

through. Residential sales have slowed down dramatically," agreed Mr Dominic Leung of property agents Richard Ellis.

"But, in terms of leasing, things are going fine," he said. The brain drain among the local Chinese professional classes has meant that more expatriate executives have been brought in. They demand first class accommodation as part of their overall remuneration package and have helped push rentals for large flats in the colony to astronomical levels. Worries about the future have also led to a trend of renting rather than buying property.

Mr Leung said that high price levels, high interest rates, and a substantial supply of new developments coming on to the market had all been pointing towards some sort of correction during 1989. This is despite the fact that affordability is still high after several years of economic growth and rising wages for the territory's population.

One positive factor is that this time round the market is made up of end users and not highly-gear speculators as was the case prior to the 1982 property crash. "We are lucky this time," Mr Leung said. The banking sector, in particular, has tightened up its credit policies during the past few years.

With strong end-user demand in all sectors, there is still a possibility that Hong Kong will weather the storm of shaken confidence in the run-up to the 1997 hand-over to China.

The next big psychological test for the market is the sale by tender of the large site behind the new Bank of China building in Central, for which bids have to be lodged with the government by July 21. As news leaks out about the number of bidders and the sale price — assuming a high enough offer is received — the information will be eagerly jumped upon as providing the forecast for the future of Hong Kong's property market over the next few years.

Michael Murray

Around HK\$29bn-worth of road and rail development will help to ease congestion



The second tunnel: ahead of schedule

On track for the next century

IN THE WAKE of several years of runaway economic growth, Hong Kong's transport system is becoming increasingly congested, with each morning and evening rush hour reducing road traffic to a snail's pace. There are long tailbacks at the entrances to the cross harbour tunnel, and there are now even Tokyo-style packers to help passengers on and off trains at crowded Mass Transit Railway stations.

In response to these problems, the government recently released a green paper outlining the likely policies which will carry the colony into the next century. Some HK\$29bn of road and rail developments are envisaged, including both public works and privately-funded projects along the lines of the privately-built and operated second cross harbour tunnel which will be open to both road and rail traffic by August. Sir Piers Jacobs, Hong

Kong's financial secretary, said recently that planning is proceeding on all major projects, including a new airport and container port, in spite of recent events in China. This is seen as essential if confidence in the future of the territory is to be maintained.

At present, a site at Chek Lap Kok, off Lantau Island, is thought to be the favoured option for the new airport. This is expected to go ahead despite an anticipated slowdown in the rate of traffic growth at the existing overcrowded Kai Tak airport. The green paper proposes a three-pronged strategy of better public transport, an improved infrastructure and better management of demand for road use.

"All three elements are equally important," said Mr Michael Leung, secretary for transport. A balanced package is the aim, including items such as bus-only lanes, computerised traffic control, and a building-up of the more efficient mass carriers such as rail links, while trying to trim the number of cars on the road. One loophole likely to be closed is the lower tax on sports vehicles — many are used as passenger vehicles without any genuine business need.

Zoned payments, or electronic road pricing — which disappeared amidst a chorus of indignation after a trial run between 1983 and 1985 — are also being considered. The government has promised, however, that any new road pricing system will not be along the old lines.

Mr Leung stresses that the tradition of leaving public transport systems in private hands will continue to be a central plank of government policy. "They all operate on commercial principles and make profits," he said. "We do not wish to upset that philosophy."

The HK\$29bn taken up by new rail projects, including new rail links connecting parts

of the New Territories, extensions to the current subway system and a third rail harbour crossing, should all be privately financed, as will tunnel sections within the road network where charging toll fees is practicable.

The first cross harbour tunnel, completed in 1972, is a thriving concern with its HK\$10 toll. The second crossing, meanwhile, with road and rail tunnels, has been completed well ahead of schedule and is forecast soon to carry 35,000 to 40,000 vehicles per day.

The government invited tenders in 1984 and the following year awarded the project to the New Hong Kong Tunnel Company to finance, build and operate the tunnel at an estimated cost of HK\$3.4bn. The

road franchise runs until 2016 and the rail tunnel until 2008, the latter being leased to the Mass Transit Railway as part of its network.

It took only 36 months for the 1.96km tunnel to be finished, comprising 15 pre-cast concrete units each weighing over 40,000 tonnes which were floated into position, immersed and then joined together. Auxiliary feeder roads were also built by the tunnel company under the terms of its contract.

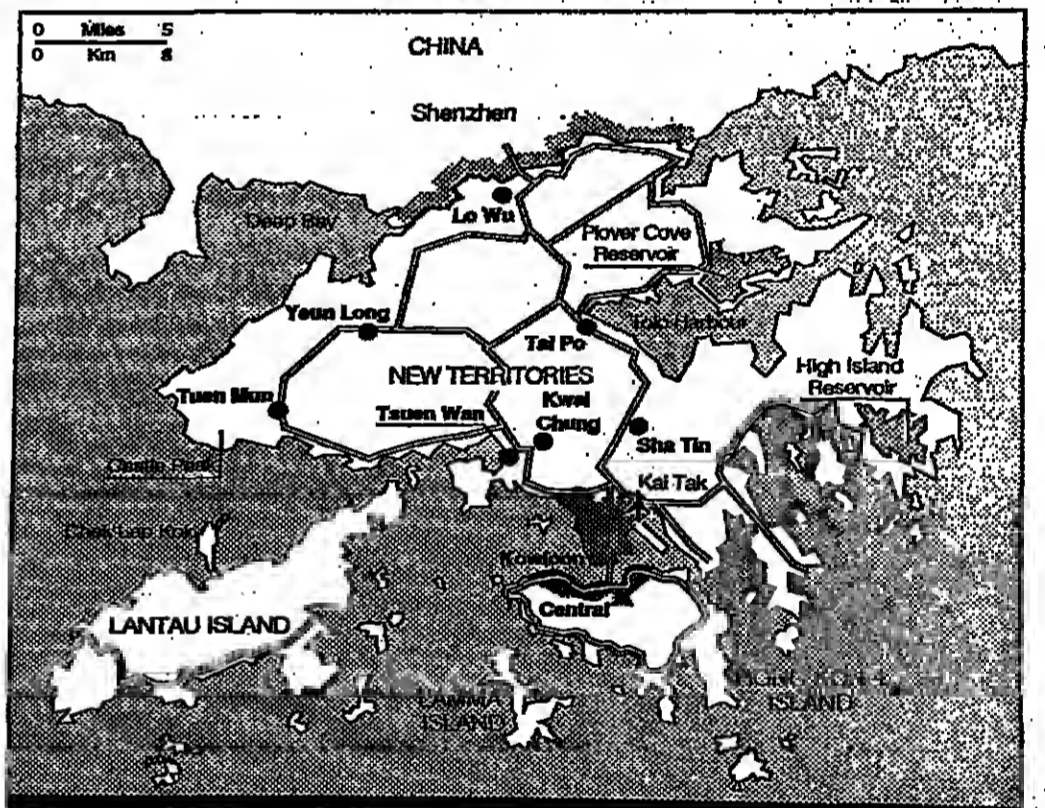
The payback on such projects extends well beyond the 1997 handover of sovereignty to China, but the government still hopes that private investors will continue to compete for the right to operate such facilities, starting with yet another road tunnel under the harbour and a third rail har-

bour crossing within the next decade.

Most of the infrastructure planning in the green paper concerns the moving of people and traffic around Hong Kong itself but, also critical, are the traffic flows to and from across the border with China, where around 12,000 trucks cross every day.

Assuming no dramatic slamming of the open door by China, this total will continue to rise, particularly if the private sector-financed highway being built by Mr Gordon Wo's Hopewell Holdings, which will link Hong Kong, Canton and other cities of the Pearl River Delta, is completed.

Michael Murray



TOURISM

Diversification abroad

AS HONG Kong hotel owners and operators have embarked upon a spending spree around the world, the local industry has developed from being merely an outpost in the global industry into being a base for overseas expansion.

Hotels such as the London Churchill, the former Ramada Renaissance in San Francisco, and Maxime de Paris in New York have all been snapped up by local companies. The North American Omni and Aircoa chains, meanwhile, are now controlled by Sir YK Pao's Wharf Group and Mr Le Yuk Sui's Regal Hotels, respectively.

The springboard for this expansion has been the remarkable success of Hong Kong's own tourist industry which, between 1988 and 1989, saw the number of visitors more than double from 2.7m to 5.5m.

"Hong Kong hotels have for the past five years been sitting on a remarkable financial success," said Mr Kenneth Mullins, vice president of Park Lane International. Mr Mullins' company itself paid the highest price ever for a European hotel when it acquired the London Churchill for \$110m in early 1989 — a price which today no longer looks particularly expensive.

Mr Mullins argues that this success in Hong Kong has bred confidence and a desire to search out new opportunities overseas at the same time as

providing resources to back up expansion plans.

The building up of a chain of properties in the key cities of the world brings substantial benefits, especially on the marketing side. Another reason for acquiring properties overseas is that Hong Kong companies wish to diversify their assets

any which includes China.

Cancellations began to pour in as soon as the military crackdown began in Peking

out of the territory ahead of the 1997 change of sovereignty. Despite this process of diversification, local owners and operators still rely upon Hong Kong for a significant share of their profits, so they are worried about the problems currently facing the local industry. A construction boom will result in around 10,000 extra rooms coming on stream by the end of 1991, prompting fears of a glut of hotel rooms even before the recent turmoil in China cast its shadow over Hong Kong.

Downward pressure has already been seen on room rates and occupancy levels, though, until recently, tourist arrival figures were continuing to rise at a fast pace. But the violence in China promises to dent growth prospects in the short term because many businessmen and tourists come to Hong Kong as part of an itiner-

ary which includes China.

Cancellations began to pour in as soon as the military crackdown began in Peking. Bookings are in doubt for the peak October to December season, for which travellers in key markets such as Europe and the United States will soon be choosing their destinations.

It is the new hotels which are most likely to have problems, and price-cutting tactics in order to bump up low occupancies could spell even lower profits for the industry. But, according to Mr Mullins, the hunt is still on for new properties abroad, with Park Lane targeting New York and Sydney, and Hong Kong and Shanghai Hotels looking at a number of cities including Tokyo. Meanwhile, while Mr Le Yuk Sui's Regal group is determined to use its North American Aircoa chain as a base for further global expansion, Mandarin Oriental is also still on the lookout for suitable opportunities.

Regardless of further deals in the coming year, the tables have already been turned by Hong Kong's hotel operators. In the past it was the big international chains which came into the territory; now local hotel groups are, themselves, expanding world-wide. This is yet another example of the changing economic balance between the new-found wealth of Asia and the old money of Europe and the US.

Michael Murray

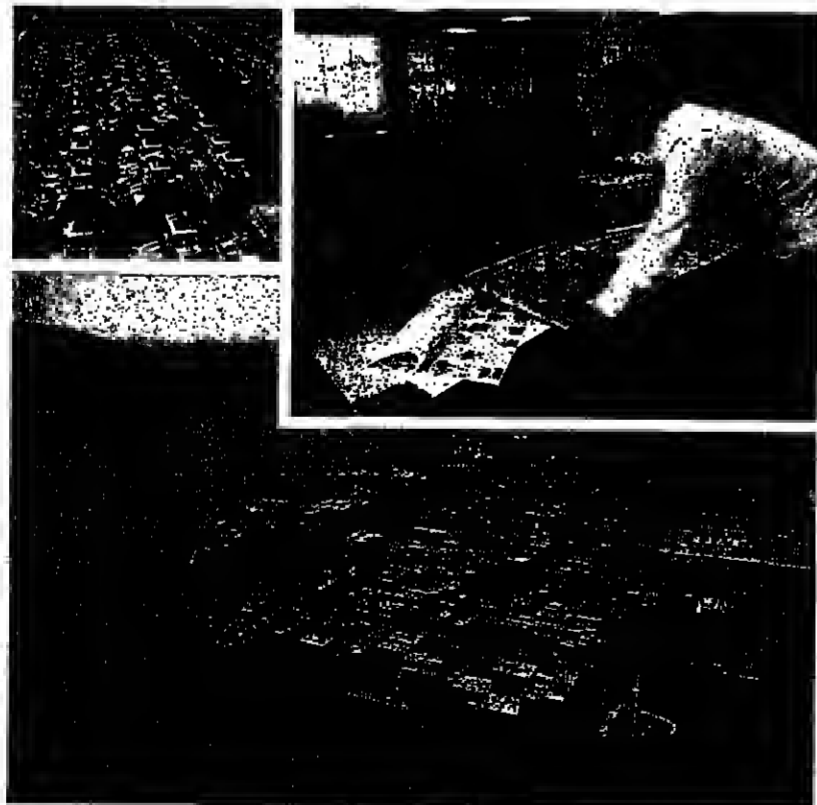


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FINANCIAL TIMES SURVEY



Ante Markovic, the Yugoslav Prime Minister, is intent on making the economy market-oriented. He

wants to weaken the role of the ruling communist party, but his task has not been made easier by a resurgence of nationalism, writes Judy Dempsey

Medicine for nationalism

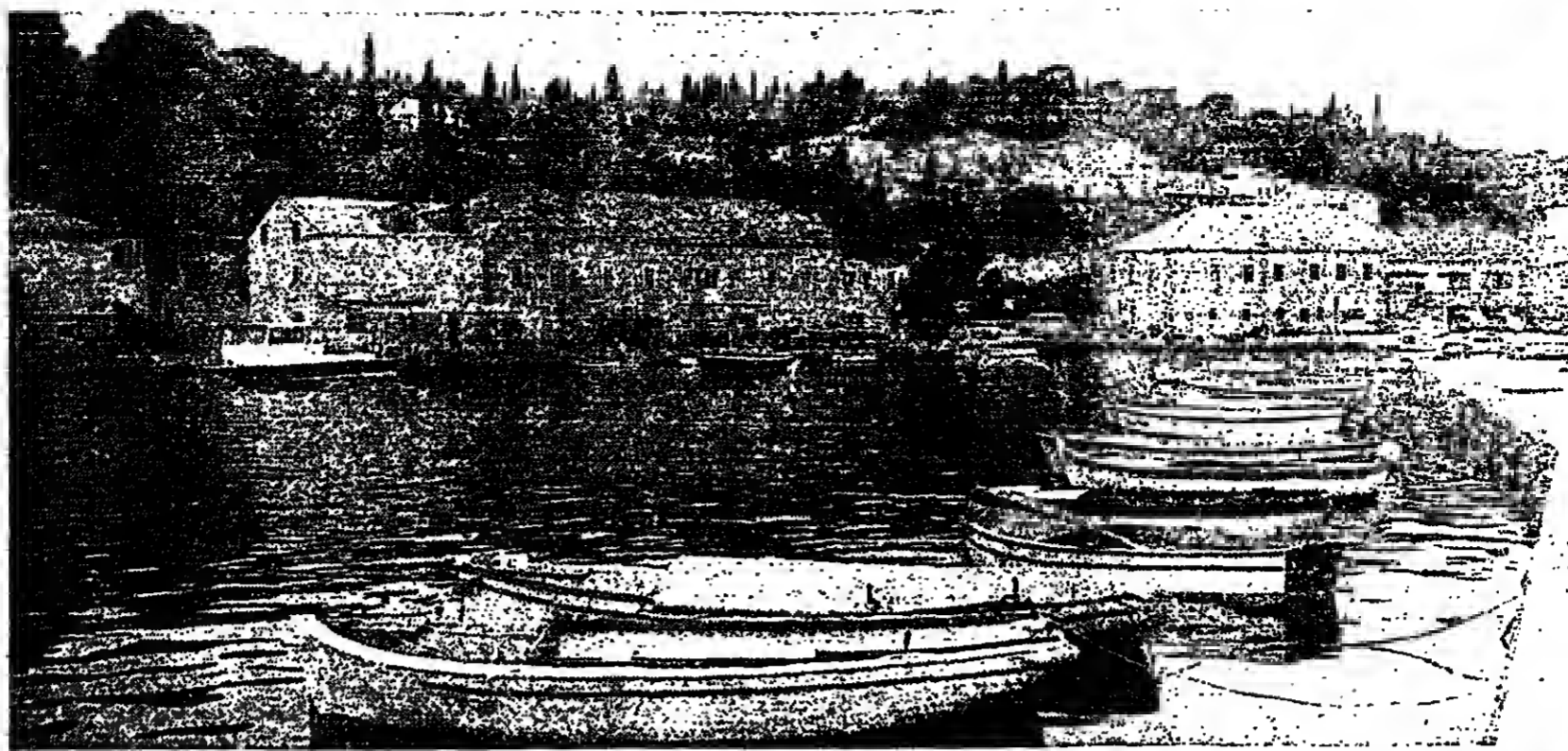
YUGOSLAVIA IS at a crossroads. Committed to introducing what appear to be radical economic reforms, the authorities are faced with adapting the political system to these changes.

that country's communist party. Unlike Hungary or Poland, Yugoslavia is far from homogeneous. It can boast at least 17 nationalities/minorities.

Unlike Hungary or Poland, Yugoslavia's ruling League of Communists (communist party) remains uncertain about which direction to take. The longer it hesitates, the greater the chance the reforms will founder.

To capitalise on the ideological differences between Moscow and Belgrade, Tito and his advisers embarked on a road towards Yugoslav-style socialism based on workers' self-management.

These nationalist tensions are not the result of 40 years of communist rule. Rather, they are historically embedded in a



CONTENTS

Politics: waiting to come of age 2
Interview with the Prime Minister: 'Two years needed' 3
Economy: oblique way to solve a crisis 3
Kotovo: Milosevic plays the nationalist card 4
Slovenia: long, hot summer of politics 4
Foreign policy: a push to the West 5
Banking: some clout for the National Bank 6
Workers' self-management: barriers that must be removed 6
External finance: stand-by deal with the IMF 6
Foreign trade: imports on the rise, exports growth below expectations 7
Industrial output: cutbacks on the way 7
Holidays: a beautiful country - in spite of the scowling waters 7
Tourist industry: foreign capital needed 8

YUGOSLAVIA

KEY FACTS

Table with 2 columns: Category and Value. Includes Area (256,000 sq km), Population (23.41m), President (Janez Drnovsek), Prime Minister (Ante Markovic), Birth rate (16 per 1,000 population), Labour force (1985: 68% of total population), Urban population (1985: 45% of total), Doctors per 1,000 inhabitants (1982): 1.6, Real GDP growth (1988) -1.5%, (1987) 0.5%, (1975-89) 1.5%, GDP per capita (1987) \$2,679, Inflation (1988) 194%, (1987) 120%, (1977-87) 48.5%, Exports of merchandise: (1988) \$13.15bn, (1987) \$12.33bn, Imports of merchandise: (1988) \$13.62bn, (1987) \$13.28bn, Current account balance: (1988) -\$2.21bn, (1987) +\$1.28bn, Reserves including gold: (April 88) \$1.843bn, Main export destinations (1987): Soviet Union 19.4%, Italy 13%, W Germany 11.6%, Main import sources (1987): W Germany 18.3%, Sov. Union 15.3%, Italy 10.3%, Foreign debt (end-1987) \$14.46bn, Debt service ratio 13.3%, Average exchange rate (1988) \$1 = Dinar 2.523, £1 = Dinars 4.485, Population by republic (1985): Serbia 41.5%, Croatia 20.1%, Bosnia and Herzegovina 16.7%, Macedonia 5.7%, Slovenia 6.3%, Montenegro 2.7%

country which only the communists could until recently contain.

Under Tito's rule, Yugoslavia was held together by several threads. The first was the Second World War. By sheer energy and organisation, the communist party, through the Partisans, fought to protect the fragile integrity of the country, despite defections by Croatia to the Nazis.

repression. The nationalist movement in the northern republic of Croatia in 1971, and in the southern province of Kosovo in 1981, testify as much to Tito's determination to suppress nationalism as to his authoritarian style of leadership.

Today, however, as the Soviet Union, Hungary and Poland press ahead with defining the future role of the communist party, Yugoslavia's communists are locked in an

unbelievable war of polemics and vitriol which has brought nationalism to a boiling point and which often seems to threaten to break up the fragile unity of the federation.

These nationalist tensions are not the result of 40 years of communist rule. Rather, they are historically embedded in a

political language between the republic's rootlessness to sharpen, Slovenia threatens to pull out of the federation altogether while Serbia drums home the need for strong party leadership and Croatia sinks into even deeper pessimism about the future of Yugoslavia.

The medicine is sour but necessary. Mr Markovic, a veteran expert at successfully running large enterprises, knows that the old system of tenure at the workplace, patronage from the party, and the nomenklatura have to be dismantled.

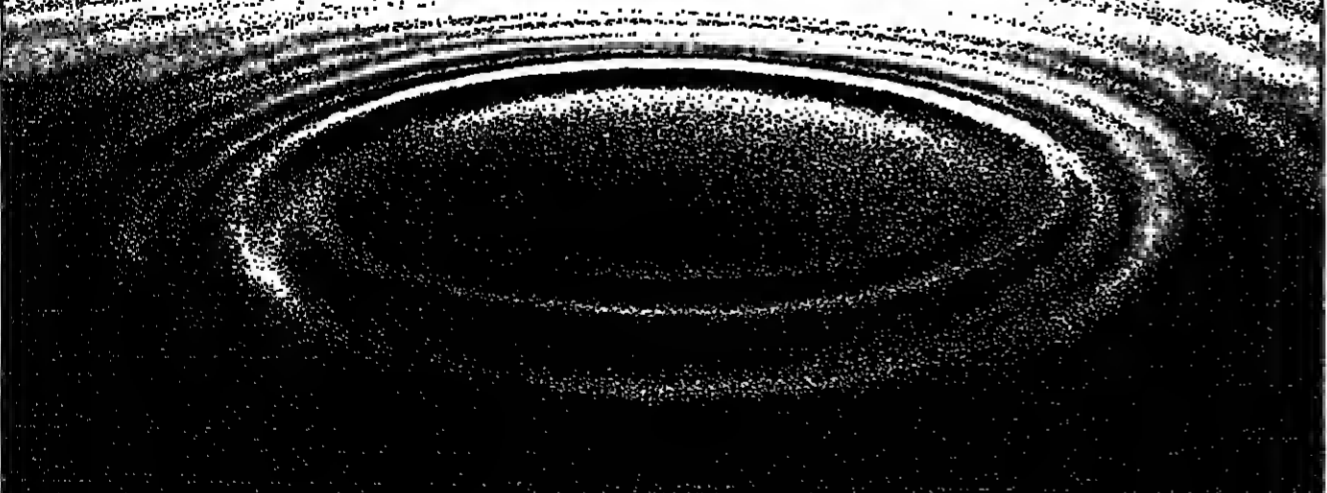
Economists agree he has to act now, and singlemindedly. But those same economists argue that the political system will block the successful implementation of the reforms.

The current one, a document infested with realms of turgid polemical jargon which invest a vast range of powers to the communist party, can still be used by the republics' elites to block the reforms.

Continued on Page 2

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YUGOSLAVIA 2

Judy Dempsey looks at the chances for political pluralism in the light of nationalist pressures on the federation

Politics is waiting to come of age



Ante Markovic, Yugoslavia's Prime Minister



Slobodan Milosevic, former Serbian party leader and now the republic's President, is second on the left in this photo from the federal Parliament last September

IT IS tempting to view Yugoslavia today through the historical lens of the early 1920s. Then, the young country, called the Kingdom of Serbs, Croats and Slovenes, was bickering over what kind of constitution it would adopt. The debates were fascinating. Small political parties in equally small Slovenia wanted autonomy within some form of unitary state. The last thing they wanted was a highly centralist state which would possibly be dominated by Serbia.

The Croats hovered between political autonomy and centralism. Like their Slovene neighbours, they feared the growing power of Serbia. And Serbia, that proud, almost schizophrenic nation, rationally attracted by Europe's political traditions but emotionally wooed by her great Slav neighbours to the East, wanted a highly centralised and unitary state. After months of negotiations, the Vidovdan Constitution, a centralised constitution if ever one existed, was adopted on June 28, 1921. The Serbs were delighted. "This year's Vidovdan restored an empire to us," proclaimed an editorial in Samonprava,

the newspaper of the Serbian National Radical Party. However, both this victory and the empire were over the ruins of power and quashed the fledgling parliamentary democracy. Nearly 70 years later, the struggle between republics fighting to retain their auton-

A crucial component dominates the debates: the role of the communist party. But the League is paralysed, after maintaining a semblance of unity for 40 years

omy versus a centralised state is as strong as it was in the early 1920s. However, this time round, one crucial component dominates the debates: the role of the ruling communist party. But Yugoslavia's League of Communists is paralysed. Having maintained a semblance of unity over the past 40 years, it is now involved in an

intense and divisive debate whose outcome will almost certainly dictate the political future of the country. At the root of the discussions is how the party should be reformed. And like the debates between 1918 and 1921, the three key players are Serbia, Slovenia and Croatia. How the other three republics - Montenegro, Macedonia and Bosnia-Herzegovina - will react to the debates will be a crucial factor in deciding the nature of political pluralism in the country.

The Serbian view, promoted by Mr Slobodan Milosevic, the former party leader of Serbia, but now the republic's President, advocates a highly disciplined party leadership. Party officials in Belgrade - most notably, that arch-conservative, Mr Vladimir Stambuk - speak of democratic centralism in the party, a term which the Hungarians and Poles have already relegated to the historical archives. Serbia's view is that the root of Yugoslavia's political and economic problems rests in corrupt, old party leaderships and bureaucracies who for years used political power for their own advantage. Mr Milosevic, a zealous politician who wants to clean up

the image of the party in Serbia and other parts of the country, took this message to the streets last year. There, he unashamedly accused the republic's leaderships of disregarding the wishes of the people. And last autumn, in a wave of populism, he encouraged his Serbian supporters to topple the party and government leaderships in the northern province of Vojvodina. In October, the party and government leaderships in Montenegro fell, again partly due to pressure from Serbia. The other republics were shocked by the power and force emanating from Serbia. Slovenia and Croat party officials seriously believed that if Mr Milosevic could influence events in Vojvodina and Montenegro, he could do likewise in the northern republics.

Yet, paradoxically, the response by the Croats towards the rise of Serbian power and nationalism has been judicious if not plain Machiavellian. Mr Stipe Suvac, the former party leader of Croatia and the former federal party leader, quickly sensed the need to stand in Croatia in order to withstand the polemical onslaught from Serbia. Overnight, he changed his conservative coat and donned a liberal suit. He encouraged independent political groups to emerge. Today, Croatia can boast at least four independent political movements. "If the party is to survive here in Croatia and keep Serbia at bay, then it will have to seek some support, some legitimacy from its own people," says Mr Slavko Goldstein, one of the founding members of the small Croatian Social-Liberal Alliance. More significantly, Mr Goldstein says that "if we have strong nationalistic movements in Yugoslavia without democratic processes or without a democratic programme, it will be disastrous for the country." This call for political pluralism is not only confined to Slovenia and Croatia. It is spreading to Bosnia-Herzegovina and Montenegro where the youth movement and a younger generation of party officials appear anxious to liberalise the party's rigid struc-



tures. It is even spreading to Serbia. Moreover, the growing consensus that if Mr Ante Markovic, the recently elected Prime Minister, is to succeed with his economic reforms, the party will not only have to cede greater

structures necessary to make the market economy effective. "Mr Milosevic has a vision for Serbia in particular and for Yugoslavia in general," say Serbian economists. "He is obsessed with the economic successes of South Korea and Japan. An authoritarian-style political structure, which existed in South Korea until recently, is the key to pushing through economic reforms throughout the country," comments a close aide of Mr Milosevic.

'Milosevic is obsessed with the economic successes of Korea and Japan. An authoritarian-style political structure, he seems to think, is the key to push through economic reforms'

Officials also add that the Serbian President is impatient with the growing power of the republics and their ability to block reforms. That, however, has been one of the reasons why the late President Tito devised the 1974 constitution. That not only contained nationalism, it also gave the republics equal representation on the party's central committee. "This system must continue," say Slovene party officials. "Otherwise, we will be swamped by Serbia which has the highest party membership in the country." But Serbs, for their part, argue that they are under-represented by virtue of their large party membership. Ever-optimistic party officials hope that these bitter arguments will be resolved at a party congress which is due to be held later this year. Then, there are plans to write a new constitution. Already, party and government officials are arguing about the nature of that new constitution. Should it contain any references to the leading role of the party? Should it stipulate a multi-party system? Should it mention the party at all? Few Yugoslavs are certain about officials will be reached, how consensus will be reached, a few of them believe the months of internal party bickering will soon end. All, however, believe that Yugoslavia is going through one of its most serious crises since the Second World War. But this time round, unlike 1921, there is no monarch waiting in the wings. Instead, politics is waiting to come of age.

Medicine for nationalism

Continued from Page 1

"The only way we will resolve this nationalism issue is by channelling it through independent political parties," says one of the party's top political scientists. "If not, it will spill onto the streets." That has already happened in Serbia. But the party, even if it

denies it is a reluctant reformer, nevertheless remains a deeply divided one. Yet this time round, neither the party nor the government has the West from which to seek economic help, nor the East to use as the bogeyman. "We are alone now. No fear of war. No money. No threat from Moscow. To survive, we will

have to walk together" are statements often heard in Belgrade. Mr Markovic has strong nerves and knows which direction to go. But the party leadership refuses to choose, let alone walk with him. Time will tell if Mr Markovic can go it alone, or indeed if Yugoslavia can hold together.



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YUGOSLAVIA 4

Judy Dempsey says that the Serbs have gained a Pyrrhic victory over ethnic Albanians in Kosovo

Milosevic plays the nationalist card



Ethnic Albanians demonstrate in March against a vote by the Kosovo Parliament calling for constitutional changes curbing self-rule



Near Titova Mitrovica, Kosovo, an Albanian rolls a hand-made cigarette

SIX HUNDRED years ago this month, the Serbs were defeated on the Fields of Kosovo by the Turks. It was a traumatic experience for the Serbs who had long regarded Kosovo as the cradle of their civilisation.

Mr Ivo Banac, a respected historian, has gone as far as to describe that defeat as "an event that had no equal in the collective memory of the Serbs."

As in Eastern Europe, history plays a crucial and potent role in national consciousness in the Balkans.

The Orthodox Serbs had built their spiritual empire in Pec, the see of the Serbian patriarchs which is set deep in Kosovo.

From there, Emperor Stefan Dusan (1331-1355) ruled an empire which stretched as far afield as Hungary and Slovakia and across to western Macedonia and to Lake Ohrid, still regarded by Serbs as sacred lands.

Thus, it was not surprising

that when the Serbs re-entered Kosovo in 1912, "they felt they were once again ascending to Jerusalem."

But what remained of Serbian culture was fragmentary. The region - rugged, mountainous and poor - was by then inhabited by ethnic Moslem Albanians who, over the centuries, had established their own culture and identity in the region.

The Serbs tried to catch up on lost time by ruthlessly reimposing a Serbian character on the region. After 1918, Albanian schools were shut down and Serbs were encouraged to colonise Kosovo. By 1940, over 154,000 acres had been seized from Albanians, of which a third was given to Serbian settlers.

This harsh rule meted out to the ethnic Albanians persisted in the post-war period. Mr Aleksandar Rankovic, Tito's notorious right-hand man, ruled not only Kosovo but other parts of Yugoslavia with

an iron hand.

His fall in 1966 unleashed years of pent-up frustration for the ethnic Albanians, who took to the streets demanding their rights. Tito responded by granting them their own language schools, books, newspapers and culture. This newfound confidence of the ethnic Albanians was sealed in the new Constitution of 1974.

In one clean sweep, Tito, with the aim of containing Serbia's domination of the Yugoslav Federation, carved two provinces out of Serbia: Vojvodina in the north and Kosovo in the south.

Although both were constitutionally linked to Serbia, they had almost the same rights as the other six republics - except for the right to secede from the federation.

However, this vast explosion of ethnic Albanian identity and political power, symbolised by the extraordinary surrealist building of the University of Prishtina, went beyond Tito's

goals.

In 1981, young, unemployed and educated ethnic Albanians, some of whom were imbued with the spirit of nationalism and separatism, rebelled. But this time, the slogans were separatist. The Yugoslav authorities sent in the army. Thousands of Albanians were arrested and imprisoned. The province, punctured by periods of cyclical violence and recriminations, once again settled down to an uneasy co-existence with Serbia.

That co-existence, however, proved not only fragile, but became a malleable tool for Mr Slobodan Milosevic, now the President of Serbia.

As a means to gain power over the party leadership in Serbia, and also to undo the perceived injustice to Serbia in the 1974 Constitution, he rallied the Serbs behind him.

Last year, month after month, tens of thousands of Serbs, inspired by Mr Milosevic, an arch populist and a

fantastic orator, held mass demonstrations. Carrying portraits of Mr Milosevic and chanting "Slobo, Slobo", interspersed with "Let us march on Kosovo", they won the fight to amend the 1974 Constitution and bring Kosovo and Vojvodina back into the Serbian fold.

It was, to say the least, a bloody fight. Rather than use political institutions to articulate their cause, the Serbs used the streets to win back the Fields of Kosovo.

The ethnic Albanians resorted to demonstrations and strikes to demand the return of

their autonomy. In the event, 22 ethnic Albanians were shot by the security forces. Mr Milosevic may have won back Kosovo for his Serbs, but the victory, for the moment, remains a Pyrrhic one.

It remains so because the battle for Kosovo has deeply divided the Yugoslav federation. Slovenia, the liberal republic tucked up in the north of the country, openly criticised Serbia's methods in Kosovo.

The response from Belgrade was bizarre. The Serbian Writers' Union broke off relations with the Slovene Writers' Union.

To exacerbate tensions between the republics, Albanian intellectuals remain unable to ventilate their grievances in the Serbian media or with the Writers' Union in Belgrade. Instead, they use the Croatian and Slovene media to explain what is happening.

Their accounts make grim reading. In order to consolidate

Belgrade's hold on the region, the newspapers in Kosovo have become virtual mouthpieces for Mr Milosevic's policies. Those who do not toe the line are expelled from the party.

Nine journalists from Rijnsda, the ethnic Albanian daily, have been expelled from the communist party. Intellectuals have been either sacked from their jobs or received severe warnings. Hundreds remain in prison. The Kosovo party, now led by Mr Rahman Morina, has lost all confidence among the ethnic Albanians. Mr Morina is regarded as a Milosevic man.

But now that so-called historical injustices have been redressed, the question remains what Mr Milosevic wants to do with this unhappy province.

Persuading patriotic Serbs to return is almost certainly bound to fall on deaf ears. Unemployment, hovering at 40 per cent is no incentive, nor is the chronically under-devel-

oped infrastructure. An injection of capital, judiciously applied to joint ventures, could help. But Serbia in particular, and Yugoslavia in general, is strapped for cash.

"We have no idea what Milosevic plans to do with Kosovo," say party officials from Slovenia, Croatia and even Serbia.

As Mr Milosevic ponders the future development of the province, tens of thousands of Serbs will commemorate the Battle of Kosovo. Some Serbs believe the battle has been won. Other, more reflective Serbs are not so sure. Rebuilding any confidence between Serbs and ethnic Albanians will take years.

"The only way to weaken this appalling nationalism is to foster democratic political institutions," an Albanian sociologist commented. So far, Mr Milosevic is intent on playing the nationalist card. It is, however, a card which could destroy the integrity of Yugoslavia.

GREGOR GOLOBIC pulls no punches. Politically, he knows what he wants. As one of the leading members of Slovenia's youth movement (Mladine), he has been pushing for greater democracy, not only in the party, but outside it. He wants more political pluralism. His goal is parliamentary democracy.

Mr Golobic is a mere 25 years of age. But sitting with him in Mladine's offices in the centre of Ljubljana, you can feel the burst of energy coming from Slovenia's younger generation.

In many ways, the youth movement, armed with Mladine, the provocative, stimulating weekly, has been instrumental in creating room for groups which in the past had

no platform on which to articulate their views.

These include the greens and the farmers, homosexuals and the women's movements. They tried to organise themselves as separate groups within the Socialist Alliance of Working People of Yugoslavia (Sawpy). But this movement in Slovenia remains somewhat "unreconstructed."

Instead, the youth movement, which must also be organised under the umbrella of Sawpy, opened its doors to all kinds of independent-minded groups. The result is a flood of ideas. The effect: greater ability to push the Republic's communist party towards greater democratisation.

The party could have closed

its eyes and ears to these young people, who are but a stone's throw from the influence of neighbouring Austria and especially Italy.

After all, during the 1960s and early 1970s, Slovenia's communist party was no great bastion of liberalism. Writers were imprisoned. Newspapers were censored. Journals were confiscated.

But over time, the party relaxed and today is probably one of the most liberal organisations in Yugoslavia, if not in some parts of Eastern Europe.

The one man who has shaped the ideology and outlook of the party has been Mr Milan Kucan.

He is no orator, no populist,

no demagogue. Instead, he has painstakingly set upon a course of "humanising" the party.

He has, for instance, subjected it to multiple candidate elections. He has opened sessions of the central committee to the public. He has joined open-air discussions with the independent political groupings. In short, he has not only advocated, but slowly put into practice, greater political pluralism.

In some ways, the path was easy. Slovenia, with its tiny population of 1.8m people, is very much a homogeneous society, equipped with its own language and culture.

Tucked within the Alps but

with access to the Adriatic, its cultural and political experiences emanated from the Hapsburg Empire.

Not that those experiences were democratic. Rather, like other countries in Central Europe under Vienna's control, particularly Hungary, the political structure consisted of a strong state and a fledgling civil society.

In both Hungary and Slovenia, the bourgeois liberal classes were neither strong, nor organised enough, to push back the frontiers of the state and create genuine independent or autonomous institutions such as the judiciary and the courts, crucial components for strengthening a civil culture.

Nevertheless, after the collapse of the Empire in 1918 and the subsequent creation of the Kingdom of the Serbs, Croats and Slovenes (which preceded the creation of Yugoslavia), Slovenia's political goals became more sharply defined.

Their politicians, a hot-

bed, as if history has come full circle, these same arguments are once again dominating Slovene politics.

At issue for the Slovenes is the future direction of the Yugoslav communist party.

Became Yugoslavia's federal party is so fragmented, the individual parties in the six republics have retained a certain autonomy.

In 1920, the programme of the Slovene People's Party explained what it meant by autonomy:

"The autonomy of a province or a land consists of the following: that the supreme provincial authorities have immediate, highest and supreme power of decision, and authority in political, economic, educational and financial questions."

"When a state has autonomy, it also has the right to issue regulations for these affairs, to decide in these affairs according to its own consideration and reason and to have no master over it in these affairs."

And it added: "The Slovenes would not be commanded by incompetent and headless Belgrade officials."

Slovenia fought for this difficult marriage between autonomy and a federal Yugoslavia.

orthodox communist ideology, continues to criticise Slovenia for its political views and particularly its attitude towards political pluralism.

Indeed, it now appears that Serbia is preparing to drum up support to block fundamental and necessary political reforms in a party congress which is due later this year.

For the Slovenes, this would make economic reforms unworkable. But above all, the Slovenes' greatest fear is the rise of a strong, nationalist Serbia which would come to dominate the Yugoslav Federation.

Mr Kucan has already said in no uncertain terms that Slovenia would not be part of a Yugoslavia in which "political and nationalist forms were forced on it," a direct reference to Serbia.

If Slovenia were to withdraw from the federation, the consequences for Yugoslavia would be, to say the least, unpredictable. If Yugoslavia does not introduce radical political reforms, say the Slovenes, the country's future will be condemned.

The debate, which could be resolved at a party congress due later this year, has only just begun. Slovenes are preparing for a long, hot summer of polemics and arguments with their southern neighbours.

Judy Dempsey

Spotlight on Slovenia's move towards democratisation

Long, hot summer of polemics

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YUGOSLAVIA 5

FOREIGN POLICY

A push to the West

YUGOSLAVIA IS re-orienting her foreign policy — not as dramatically as her Eastern European neighbours, but in ways which may construct a new mould within which her policies will be constrained. The new direction stems from the rapid lessening of East-West tension, bringing in its wake the need to reassess Yugoslavia's position as one of the leaders of a "third way" between warring blocs — especially as a leader of the non-aligned nations.

Equally rapid reform movements within the Polish, Hungarian and (in a different way) Soviet Communist parties throw into sharp relief the relative conservatism of the country's League of Communists — once seen as the most liberal of ruling Communist parties.

As a recognition in the present Government that the orientation must be westwards, specifically towards the European Community — and the beginning of study and debate about the possibility of an eventual bid for membership.

Yugoslavia had, since the early 1950s, sought to use the non-aligned movement of which it was the founder as an active force in international relations — but one which renounced what is characterised as the aggressive and neo-colonialist tendencies of the superpowers. It has been a difficult act: among the main pressures upon it are the contradictory needs to avoid over-dependence on a West which has supplied capital, and a slide into denunciatory rhetoric of the West, which Cuba, among the non-aligned, sought to promote within the movement.

Today, as hotel buildings rise at record speeds in New Belgrade to house the delegates to the non-aligned conference there in September, policy analysts and ministers concede — though not publicly — that the forum has less use now than the need for tight alignment to irredeemably hostile patrons is fading. Tito's creation is still not likely to be challenged fundamentally in a country where few politicians or bureaucrats (or cafes) are without their portrait of the Marshal; but as the cult is gradually being nibbled at, so the edifice will become less important, even in formal terms. In real terms, the action has already moved elsewhere.

It has moved in part to Eastern Europe, where Yugoslavia, as much as the capitalist countries, must come to terms with the implications of change. It has, since the death of Stalin, managed to keep reasonably good (if occasionally polemical) relations with most East European states — disturbed by such incidents as the capture, and subsequent murder, of Imre Nagy, the Hungarian Prime Minister, on his departure from the Yugoslav embassy in Budapest after the 1956 Soviet invasion. But it has always been rather superior to them, regarding their dependence on and copying of the Soviet Union as a sign of their ideological and political weakness.

Now, many in its political elite are forced to concede that the reform parties are in advance of the League of Communists in the matter of political liberalisation, and that the pressure for change along — especially — Hungarian lines will be very great. Already, in the Slovians and to a lesser extent the Croatian League of Communists, the calls for political pluralism are growing (supported by the leadership in Slovenia), and the examples of Hungary, Poland and even the Soviet Union cited.

This "socialist emulation" no longer carries with it any threat of coercion: a visit from

President Gorbachev last March — five whole days — was reported as a friendly and open one, underscoring that the Soviet Union no longer regarded its system as a model. The "threat" is from below, as the citizenry sees the greater freedom of speech and action enjoyed by those they once thought of as relatively inhibited.

The Yugoslav push to the West stems from concerns — common to all eastern European economies — that the 1982 process will block off their exports and tend to isolate them in a technically backward, relatively impoverished *cad-de-see*. It is in a better position — more open economically for longer, with a better (if still relatively inefficient) infrastructure and greater expertise in foreign economic relations.

But Yugoslavia lags badly behind all West European countries — as Dr Tomislav Popovic, director of the Consortium of Economic Institutes, wrote in the *Review of International Affairs* in March: it trails "in all the important parameters — economic growth, structural adjustments (declining investment, productivity and capital formation), market stability and exports. Yugoslavia is a prisoner of the past... of the absence of the combined action of market mechanisms and political democracy."

Dr Popovic heads a team now studying the process through which the European economy would have to pass in order to "ready" itself for eventual European integration.

Like other members of the Yugoslav political elite, he is aware that the Community does not wait for its aspirants: that the political and economic transformation would be vast — the more so since Yugoslavia is a member of Com-ecop, with strong trading links with the Soviet Union (with which it runs a very large surplus); and that many, probably most, politicians have barely thought through the possibilities, let alone the consequences, of such a move.

Yet, says Professor Oskar Kovac, a former Government minister, "we must convey the message to the Europeans that we ultimately see ourselves with them. Many conditions have to be fulfilled, but if this economic reform can be pulled off, it will make us much more compatible with European economies and with European structures."

There is a larger "but" hanging over this perspective, as it hangs over all political change in Yugoslavia. The existence of six autonomous republics, and the weakness of Government at the federal level, means that Yugoslavia would, if it were to apply for EC membership in its present form, bring in six rather than one decision centres, each with a "natural" tendency to form its own relationship, and make its own deals with Brussels. Even if the economic issues were capable of solution, this fundamental fact of Yugoslavian political life would tend to make European politicians and bureaucrats alike draw back in caution.

Foreign affairs have been, traditionally, the one preserve of the federal government. Now directions are changing, it may be able to use a new alignment as a lever on domestic change — as Hungary and Poland seek to do — by arguing that structural change is essential for a re-orientation towards the Community. That consensus will be no easier to achieve than any other in the country, but it is now in the political air.

John Lloyd

Judy Dempsey looks at the reform of the country's banking system

The National Bank gets some clout

THE BANKING system of Yugoslavia is undergoing one of the most far-reaching reforms since the Second World War.

But while some of the reforms will lead to the creation of a capital market, bankers believe other changes will be "complex and painful."

The reforms, designed to invest the National Bank of Yugoslavia with far greater powers and a wider degree of independence, go in tandem with the phasing out of the "enterprise" banks.

This will have two effects. Enterprises will in future have to stand on their own feet. But of greater significance, political influence will be watered down in the day-to-day running of the banks.

That, at least is the hope of Mr Vukasin Markovic, who is one of the vice-governors of the National Bank of Yugoslavia (NBJ).

His view, shared by other bankers, is that in the past, enterprise directors had far too much say in the banks.

This was hardly surprising under the outgoing system, whereby enterprises could set up banks within their own enterprises.

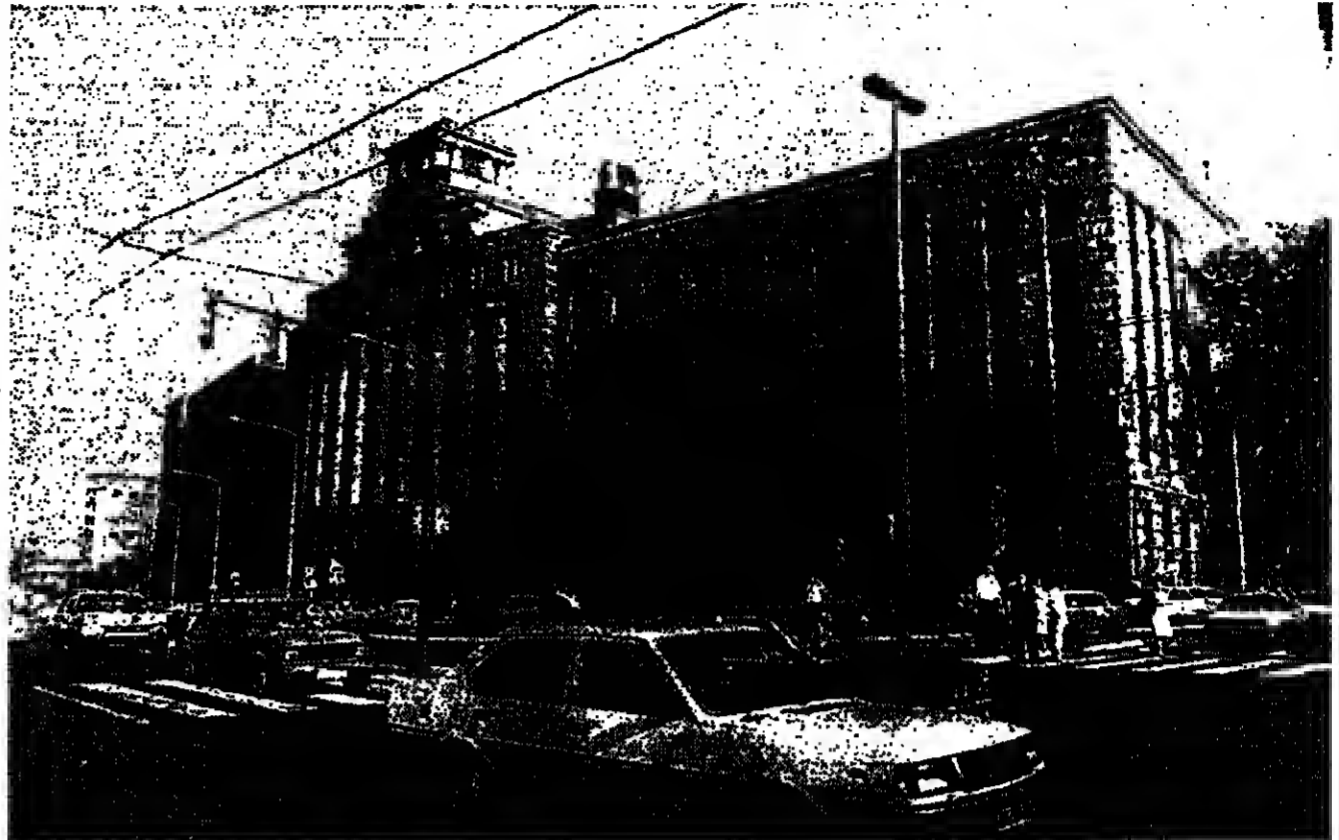
Predictably, the directors of these large enterprises were on the banks' boards. As a result, they could grant themselves credits at very low interest rates.

These internal banks, as they were called, were founded on the reserves of the enterprises. But experience has shown that in many cases, many of those same enterprises were themselves in debt. In effect, they ended up drawing on their own banks, which in turn had to borrow from other banks.

The example of the scandal surrounding Agrokomer, the giant food-processing enterprise in the republic of Bosnia-Herzegovina, serves as a poignant reminder to Yugoslav bankers and economists of the necessity to push through these radical measures.

During 1987, Agrokomer issued unbacked promissory notes worth Dinars 60,000bn, a move which precipitated the discussions to reform the banking system.

"The problem was that there were no checks and balances built into the banking system,"



The National Bank of Yugoslavia, Belgrade

says one official from Agrokomer.

Now the NBJ proposes to remedy that. Yet at the same time, Mr Markovic recognises that the break-up of the internal banks will cause problems.

Enterprise directors could give themselves credit at low rates

For one thing, enterprises will no longer have easy access to credits. For another, some are expected to go bankrupt.

However, as the internal banks are phased out, the NBJ is planning to introduce a new system, which it will monitor tightly.

New banks, authorised by the NBJ, will be set up but on the basis of fulfilling two conditions. First, the minimum capital formation should be Yugoslav Dinars 20bn

(US\$150m). Second, at least 10 enterprises should contribute to this start-up capital.

Some sceptics argue that these new banks would soon become "manipulated" by the enterprises.

Not so, says Mr Markovic. The idea is that the banks' board of directors would not consist of the enterprise directors but of bankers.

"This time, the assembly of the bank will no longer be able to authorise credits or pass decisions — that is, business decisions," says Mr Markovic.

"The assembly will nominate an executive board. But their powers will be reduced," says Mr Markovic. "The founders of the banks will no longer be able to grant themselves credits. These banks will not be money supermarkets."

Moreover, to keep a check on large borrowing from the enterprises, the NBJ is now proposing a law whereby no more than 20 to 30 per cent of

the total reserves can be borrowed.

The NBJ reckons there will be some teething problems between the break-up of the internal banks and the introduction of the new banks. It expects some of the internal banks to go into receivership, while others could merge with bigger banks.

Indeed, Mr Markovic is anxious to point out that in future, the NBJ will have no qualms in calling in the receivables if banks cannot meet their obligations to clients on three consecutive days.

Another radical reform on the agenda is the plan to issue shares which will eventually lead to the creation of a securities market.

One of the aims would be to mop up the huge amount of savings in the country. But it would also make funds more mobile, it is thought.

"We have to have mixed capital for the social and pri-

vate sector," says Mr Boris Konte, a vice-governor of the NBJ. "Since that is the case, we also have to gradually build up a securities market whereby the enterprises can issue or trade in their shares."

Indeed, Mr Markovic and Mr Konte even envisage the setting up of private banks, in which 99 per cent of the total capital could be held in private hands.

Both bankers believe the new laws will be ready to be implemented by the end of the year. Both recognise the difficulties involved. But with greater independence granted now to the NBJ, they reckon the Yugoslav banking system is slowly but surely stepping on to sounder ground.

On the agenda is the eventual creation of a securities market

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YUGOSLAVIA 8

Folk art, music, architecture: all appeal to the holidaymaker

A beautiful country, despite the scowling waiters

AT AN open-air cafe in the historic coastal town of Split, a family of West German holidaymakers contentedly watch the busy scene. "We've been coming here every summer for eight years now," says the mother, as her husband laboriously counts out a stack of paper money for the bill. "It's near, it's beautiful, it's unpolluted and it's cheap."

But it's not as cheap as it was on their first trip, as the pile of notes on the table shows. With galloping inflation, rising real prices and a widening economic gulf between the tourist coast and inland, Yugoslavia is losing ground against rival South European holiday destinations in Greece, Portugal and Turkey. But Yugoslavia will always have something special to offer: a great variety of natural scenery and cultures within its borders.

Split itself, on the Croatian coast, shows the traces of 17 centuries of continuous habitation by successive peoples. The late Roman imperial architecture of Diocletian's palace contrasts with the Byzantine influences of the 11th century and the twisted streets of the Middle Ages.

Along with the popular towns of Split, Dubrovnik and Kotor, there are over 50 historic centres on the eastern Adriatic coast.

Clustered on a narrow island promontory near Dubrovnik is

the fortified medieval town of Korcula, in Montenegro. The settlement of Ulcinj dates back to antiquity. Trogir near Split offers a well-preserved medieval centre, while Rovinj boasts several fine baroque buildings. The Ottoman threat has left its legacy in the well-defended island town of Sveti

All one's frustrations with Serbian bus timetables melt away with the music

Stefan. Only a short distance inland, the Mediterranean styles mingle with the Islamic influences that penetrated far westwards along the valley of the River Neretva. The most famous example is the Ottoman heritage of Mostar, with its distinctive bridge.

Besides the coast and sklopes, Yugoslavia offers an extraordinary juxtaposition of cultures from the Austro-Hungarian efficiency of the Slovenian north to the Serbian Orthodox rituals of the south. Unfortunately, this variety has turned the country into a brew of rival nationalist passions instead of a cultural melting-pot.

Above all, the upsurge of aggressive Serbian nationalism alarms the rest of Yugoslavia

and the outside world. Of all the six republics, Serbia has received the most international censure in recent months. All the more reason to tour the nation of Serbia and to learn what makes it unique.

The visitor will soon find that behind the ugly face of nationalism lies a justified pride in a rich and enduring culture. There is the folk art, the religion, the architecture, but above all, there is the music.

As a wedding in the east Serbian town of Pirot, the band of accordions and guitars plays song after song as the rowdy guests join in with the traditional words of love and battles. The music is a microcosm of Serbia herself and her turbulent history. The rhythms and harmonies bear the traces of successive cultural influences: Turkish, Central European and transatlantic pop music.

A group of gypsy musicians arrives in the smoky hall, with battered instruments and noisy arguments in the Romany language. The music superimposes an idiosyncratic nasal style of singing on Macedonian rhythms. Listening to the music late into the night, all one's frustrations with Socialist hotels and Serbian bus timetables melt away.

Yugoslav tourism flourishes thanks to the country's indigenous merits and despite the shortcomings of the tourist infrastructure. It certainly does

not help, for example, when the telephones do not work, the electricity cuts off and the Montenegrin hotels double-book. The industry cannot afford to be too inefficient, what with rising real prices, increased foreign competition and a desperate need for hard currency.

The West German family in Split complains about the unsmiling waiters and surly hotel clerks. The consumer will come last, as long as the socially-owned sector of the Yugoslav economy lacks the commercial ideas of profit and competition.

Joanna Newman

THE YEAR appeared to open well for the tourist industry. The number of foreign visitors rose by 7.1 per cent, and they made 5.6 per cent more overnight stays, spending \$339.6m - 31 per cent more than in the same period of 1988.

But the first four months usually represent only 5 or 6 per cent of total annual overnight stays, while foreign exchange earnings from tourism in that period also comprise some payments received from tour-operators for services rendered last year.

Disappointment came with the June figures, which showed a downward slide on those earlier months. The first week was particularly bad, with 12 per cent fewer foreign visitors than in June 1988. After two weeks, that improved to some 6 per cent fewer foreign tourists. It is reported that bookings are falling off from several countries - especially West Germany, which is still the largest source of guests. This has introduced an element of uncertainty about the outcome of this year's tourist season.

Mr Franc Horvat, Federal Secretary for External Economic Relations, (who after the Federal Government reorganisation of last March is now in charge of trade, joint ventures and tourism) told the Financial Times that he hoped the season would not be worse than last year as far as the number of visitors is concerned - overnight stays in



The ancient church in Kotor (picture: Trevor Humphries)



The beach at Budva, on the Montenegrin coast



The Hotel Moscow, in the centre of Belgrade

TOURIST INDUSTRY

Foreign capital needed

1988 came in at over \$2m - and that the country would improve on the foreign currency taken in from tourism, which was more than \$2bn officially and \$5.5bn, as estimated by the Tourist Federation of Yugoslavia.

The cause for concern, and the close watch on figures, is an index of the importance of the industry to the country's economy. Earnings from foreign tourists represent some 5 per cent of the aggregate social product of the country, and account for 10-12 per cent of total foreign exchange earnings. The industry provides jobs for some 3.5 per cent of the Yugoslav workforce.

It could do more, with more investment. By the end of the

century, its foreign exchange revenue could triple if capacities were increased, quality improved (which would also justify higher prices), infrastructure built, and management and marketing recognised as key factors in the industry's development.

For this year's season the Yugoslav tourist industry added only some 6,000 hotel beds. Sports and recreation facilities were also built and some improvements made in infrastructure - but still lagged far behind demand.

The main reason for this slow development has been a lack of resources. Now the authorities have started to attract foreign capital for direct investment not only in building tourist facilities such as hotels but also for infrastructural projects such as road construction.

Potential foreign investors have been more interested in infrastructure in any other Yugoslav industry. Negotia-

tions have been under way for the construction of several hotels both on the coast and inland, including some de luxe category hotels (Hyatt has a joint venture based on a debt-for-equity swap, and its hotel in Belgrade will be finished in under eight months, before the September non-aligned summit. It will be managed by Hyatt's own people).

Several foreign groups have been preparing feasibility studies for the construction of new motorways, especially along the Adriatic Coast as well as between the Austrian border south of Graz, and

Zagreb. Concessions have been offered, which include not only the exploitation of motorways themselves but also of petrol stations, motels and other facilities alongside them.

Another field for investment of foreign capital has been marinas. Yugoslavia had a total of 35 marinas at the end of 1988 (33 in Croatia and two in Slovenia) with just under 10,000 moorings. Nearly 130,000 vessels - yachts, sailing boats and others - used them last year, 92 per cent under foreign flags.

Those of Germany, Italy and Austria prevailed, but there

were also 4,532 British vessels. Some British subjects spend most of the year in their yachts moored in or near larger towns like Split, and have almost become their citizens.

Yugoslavia's coastline, with its many islands, means that many more marinas could be built and more vessels accommodated throughout the year. In 1988, marinas had a revenue of some Dinars 75.5bn (\$14.4m at the end-year exchange rate), of which 88 per cent went on foreign exchange. The potential for earning more is good.

Like other Yugoslav industries, tourism has to prepare for the single European market from 1992, and then new regulations which will flow from it: some 70 per cent of foreign tourists come from the EC. The country must build an integrated information system for hotel beds, travel and other information, and link it to the unified European system. It has to adopt a categorisation and classification system for hotels compatible with European standards.

Among other important considerations are the abolition of visas where they still exist, simplification of customs formalities, possibly introducing special "nothing to declare" road lanes at the border, introduction of health insurance policies for tourists, assuring re-transfer of dinars exchanged for foreign currency and the provision of off-season rebates for transport of foreign tourists.

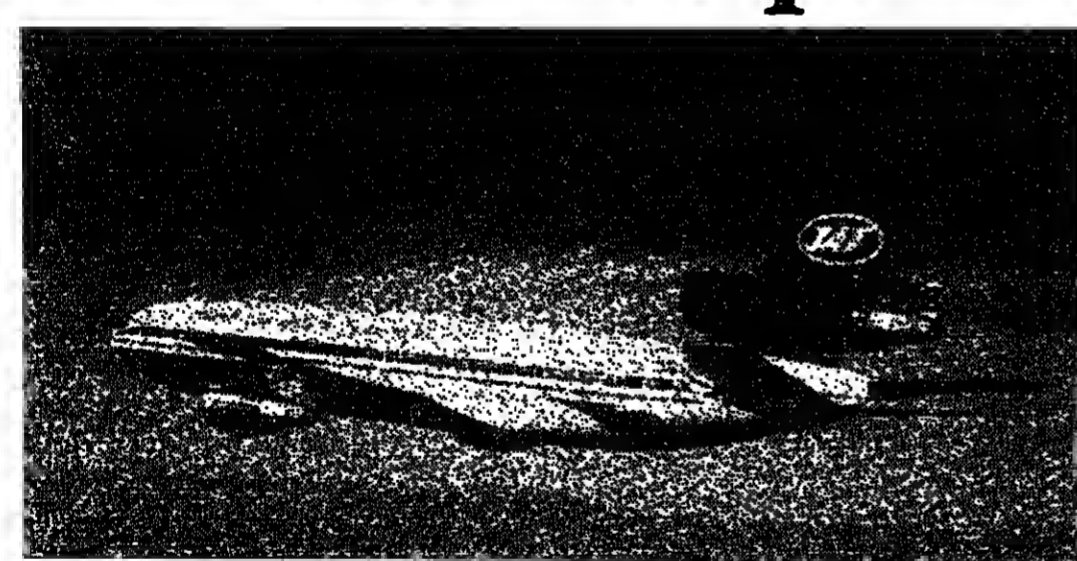
Aleksander Lobl



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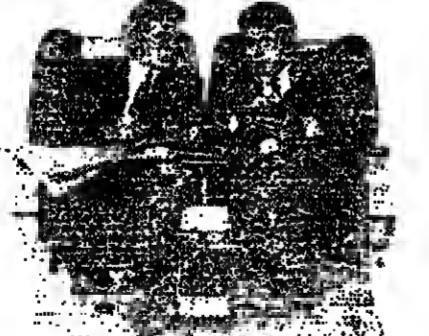


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Our client is an extremely progressive and much respected UK plc that has achieved rapid expansion and a high profile within the leisure sector by both acquisitions and organic growth. This growth now makes the organisation the largest UK operator in several of its divisions and a major force within the others.

As a direct consequence of this success the Group seeks to make this new appointment to its small corporate finance team. Key functions and responsibilities of the role will include the strengthening of relationships between the operating divisions and corporate HQ, the management of the Group's performance review process and working closely with the Group Financial Controller and main board Directors on special projects. Candidates should be qualified accountants, aged 28-34, who want a

responsible role in a commercial and progressive environment. Good presentation and enthusiasm are vital as the role will hold a high profile in dealing with an extremely wide diversity of personnel.

Future career prospects are excellent including the opportunity of financial directorship of an operating company. Please telephone or write enclosing full curriculum vitae quoting ref: 330 to: Philip Cartwright FCMA, 97 Jermyn Street, London SW1Y 6JE. Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

Rewarding 'greenfield' opportunity Financial Manager

£26k + car + benefits S.London

Our client, a young hotel company possesses the potential to grow significantly over the next few years and has ambitions to seek an USM listing.

Central to achieving this ambition will be this newly-created position of Financial Manager. Reporting to the Group General Manager, the role will assume responsibility for all aspects of the financial function implementing financial controls and liaising closely with operational managers and external advisers. Close support of the Chairman and Chief Executive in the implementation of the business development strategy will be a key task.

We are seeking a qualified accountant, probably with a

background in a multi-site service industry who can demonstrate a successful track record and the ability to develop innovative solutions to organisational problems created by a fast-moving and dynamic environment. The ability and ambition to grow with the business will be a vital determinant of success.

The successful candidate can expect to enjoy an attractive salary and benefits package and look forward to sharing the substantial rewards that growth will bring. Interested candidates should, in the first instance, send their full career and salary details in absolute confidence to Brian Ayres at the address below:

Moores Rowland

Moores Rowland Management Consultants, 43 Eagle Street, London WC1R 4AP

REED... accountancy

THAMES VALLEY £80,000

Taxation

Early partnership plus fringe benefits to match. Relocation costs. Luxury car plus free parking. Ref 49431

For further details contact:
The Manager, Reed Accountancy,
164 High Street, Slough (0753) 76677
Fax (0753) 694267

SURREY £80,000

Financial Director

Well-known plc. Department of 200 plus extensive computer commitment. To contribute major role in management triumvirate. Ref 29390

For further details contact:
The Manager, Reed Accountancy,
76 High Street, Guildford (0483) 69151
Fax (0483) 32311

Phone or send your CV to the appropriate manager, or request an application form. Out of office hours, call 01-770 7780 or 0483 740401. Reed actively promotes Equal Opportunities.

PROJECT ACCOUNTANT

RETAIL

North London

Aged 28-32

to £35,000 + Car

This major retail group is committed to maintaining its dominant market position. It will continue to enhance a strong international profile through organic and acquisitive growth.

To meet the challenge of sustaining a clear competitive advantage, there is an immediate requirement for a key individual to join the high-profile business review team.

The role will focus on the enhancement of efficiency through the review of financial and operational systems. This will include seeking and implementing solutions to business problems.

The ideal candidate will be a commercially minded accountant with at least three years' post qualification experience. Progression into senior line management will only be limited by personal ability.

There is considerable executive level exposure, and therefore assertiveness, diplomacy and strong interpersonal skills will be essential attributes.

Interested applicants should contact Giles Daubney, either by phoning him on 01-437 0464, or by writing to him, enclosing a detailed CV, at the address below.

ROBERT WALTERS ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

THE WCRS GROUP PLC GROUP ACCOUNTANT

Young high flying ACA-Media Group

The WCRS Group plc is one of the world's largest communications groups, with business activities comprising advertising, public relations, media and sponsorship. Although the European market is its strength, it is active in over 20 countries. Growth has been impressive, due in no small part to a corporate culture encouraging imaginative thought and individuality of approach.

Group centre is lean and concentrates on strategic issues. Resulting from a recent promotion, an opportunity has arisen for a Group Accountant. Reporting to the Director - Corporate Finance, the brief is to provide and interpret Group financial information, with an emphasis on the creation and promotion of Group profit opportunities. Managing a team of 5, you will also oversee the consolidation of Group information and maintenance of head office accounts.

Candidates, in their late 20's to early 30's, will be qualified Accountants and technically excellent. The successful candidate will have an enquiring mind and the ability to challenge the norm. Probable profiles would be either an ACA currently working at the centre of a major group or as a manager from a 'Big 8' firm.

Please apply directly to Mark Ehrlich at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0HR. Telephone: 01-836 3545, evenings: 01-556 3615. Alternatively, fax your details on 01-836 4942.

Financial Recruitment Specialists
London - Birmingham - Windsor - Manchester - Bristol - Leeds

Senior Financial Management Professionals

over £40,000 tax free plus excellent benefits: Saudi Arabia

Our client is a dynamic and highly prestigious Group with substantial and diversified interests, involving a large number of distributorships and joint ventures with leading, multi-national manufacturing and trading companies. Continuing

expansion of their business activities has created two excellent openings for senior finance professionals with the vision and experience to make a significant contribution to their continuing success.

Group Financial Controller

You will be directly responsible for all aspects of financial and management accounting throughout the Group. Specifically your brief will be to establish accounting policy and improve existing systems, formulate new planning and budgetary methods and produce regular financial reports and management

accounts to the Board. You will combine an accountancy qualification with at least eight years' commercial experience, latterly at a senior level in an international company and potential to deputise for the VP - Finance. Fluency in Arabic is essential. Ref: FT 1266/3.

Finance & Administration Manager

Reporting to the VP - Industrial Group your rank includes the management and direction of all the financial and administrative functions required to support the operating companies. This will involve budgeting, financial and management reporting, investment appraisal, management information systems, treasury function and company secretarial activities. As a key member of the management team you will also deal with the day-to-day business of the companies including

deputising for General Managers in their absence as well as be involved in expansion and diversification plans. A qualified accountant, preferably with a business degree or similar, you should have a minimum of 5 years' experience at a senior level in an industrial and international commercial environment, preferably in a manufacturing environment. Experience of computerised financial systems is also essential. Ref: FT 1266/5.

Salary is negotiable and excellent benefits include free furnished accommodation, married status, transportation allowance, bonus, free medical care and paid home leave.

Please write - in confidence - with full career details to Ghassan Yazigi, quoting the appropriate reference, MSL International (UK) Ltd, 32 Aybrook Street, London W1M 3JL.

MSL International

Finance Director

Midlands
£35-£40,000 + Car + Benefits

Our client is a major subsidiary of a large manufacturing group located in the Midlands. The company has a fast rising turnover currently in the region of £25 million per annum.

In support of exciting development plans the company is seeking an experienced Finance Director to take overall control of the finance function and specifically upgrade the company's computer based accounting systems. The Finance Director will also be expected to participate fully in the development of the business as a whole as a key

member of its top management team. Applicants must be experienced qualified accountants with a solid record in financial management ideally in a manufacturing environment. The post demands well developed managerial skills and the ability to successfully conclude tough commercial negotiations at the highest level.

This is an exciting career opportunity for an ambitious accountant who relishes the challenge of revamping the existing financial organisation and systems in a

medium sized company. Salary is negotiable, and includes an attractive annual bonus plus an executive car. Applicants should write in confidence with career details, age and current salary quoting reference MCS/2051 to Jim Mitchell,

Executive Selection Division
Price Waterhouse
Management Consultants
Livery House
169 Edmund Street
Birmingham B3 2JB.

Price Waterhouse

ACQUISITIONS MANAGER

Consumer Goods

Cambs/Lincs base

This household name public group has a record of growth and accelerating profitability and commands the respect of the city and its customers. Its strengths are an innovative, professional management team and strategically advantageous positions in growing markets. Building on its acquisitions successes, the group aims to strengthen the business development team and intensify its programme of deals.

Reporting to the Finance Director, you will be supported by two dedicated professionals and lead the acquisitions programme in the USA and Europe. The team is involved throughout the acquisitions process; identifying and financially evaluating target companies, negotiating deals and playing a full part in their integration into the group.

Package to £40,000 + car

The successful candidate will be a financial MBA or qualified accountant, in his or her early/mid thirties. A track record of progression in sophisticated organisations, combined with involvement in acquisitions, as advisor or principal, is prerequisite. The group offers excellent career development opportunities to committed professionals with commercial flair.

Please reply in confidence, giving concise career, personal and salary details to Heather Male, quoting Ref. LA26.

For Executive Selection
55 St. James's Street
London SW1A 1LD (01-629 8070)

EGOR
EXECUTIVE SELECTION

Financial Controller

North West

c£28,000 + Car + Bonus

Our clients are a market leading subsidiary of a major UK group, engaged in the manufacture of specialised capital machinery for markets world wide. Recent repositioning of the business has highlighted specific areas where improved management controls will result in a significant increase in profitability and establish a sound base for further growth.

They now seek a commercially minded Financial Controller to work closely with the Managing Director as a key member of the management team, making a significant contribution to the overall management of the business, including the formulation of business development strategies. Specific responsibilities will include the development of effective financial controls and management information systems, together with cash and asset management.

Candidates should be graduate qualified accountants, (probably ACMA), aged in their early to late 30s, who can demonstrate a full understanding of manufacturing business and significant experience of computerised management information systems.

A proactive management style with a forward thinking approach and strong interpersonal and commercial skills are essential to succeed in this demanding environment.

Interested applicants should forward their current CV to Iain Blair ACMA quoting ref 4456 at Michael Page Finance, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.



Michael Page Finance

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Finance Director

Cheshire

to £30,000 + Car + Bonus

Our client is a market leader in the highly competitive field of home furnishings, with a growth rate of 250% over the past three years. A management buy-out from a major UK retail group has created the need to establish an independent finance function and develop integrated computerised financial systems.

To meet this requirement, they seek a commercially orientated Finance Director to become a key member of the buy-out team. In addition to an overall contribution to the strategic management of this profitable business, you will assume specific responsibility for management of working

capital and the improvement of production control and inventory control systems.

Candidates should be qualified accountants, aged 30-45, who can demonstrate a successful track record of financial management in an FMCG environment. A sound manufacturing background, together with high levels of commitment and well developed interpersonal skills, are prerequisites.

Interested applicants should forward their current CV to Iain Blair ACMA quoting reference 4457 at Michael Page Finance, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.



Michael Page Finance

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

FINANCE DIRECTOR

Gloucestershire

Up to £25,000 + Executive Car + Major Benefits

As part of a planned programme of international expansion, our Client - a large, successful and highly acquisitive European Group with an annual turnover in excess of £27 million - has recently assumed control of a well-established FMCG operation based in Gloucestershire. The Group enjoys a high profile in its market place, currently accounting for some 30% of world sales in several consumer product lines.

The Group wishes to appoint a Finance Director for the £4 million turnover subsidiary company. The successful applicant will report to the Managing Director, taking sole responsibility for all financial, management and treasury functions of the company.

Since the Group is heavily computerised, candidates - preferably ACAs with a strong industrial background - will require sound IT knowledge and systems experience. A high level of commercial

awareness is essential, as is the ability and enthusiasm to get to grips with the day-to-day challenges of a busy working environment, often at grass roots level. Some acquisitions knowledge would be advantageous: the incumbent will be called upon to deputise for the Group Finance Director in his absence. There is also a possibility of some overseas travel to European subsidiaries in the future.

The position carries substantial opportunity for advancement, with excellent promotional prospects. A very attractive package awaits the successful candidate, comprising a starting salary of up to £25,000, company car, bonus scheme, BUPA, non-contributory executive pension scheme and a generous relocation allowance.

To apply please write with full CV and salary details, to Margaret-Anne Stocker, quoting reference B/195/89.



Peat Marwick McLintock

Executive Selection

Peat House, Lansdown Road, Cheltenham, Gloucestershire GL50 2JA.

FINANCIAL CONTROLLER

Sears plc

£27,500
+ Car + Bonus

NW London



FINANCIAL CONTROLLER

LONDON

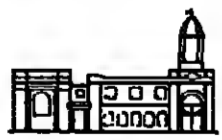
Warehouse Group, acquired by Sears plc in January 1988, is a specialist retailer of exclusive women's fashionwear for the young market. Turning over some £18 million and operating through 34 branches countrywide, the company is already well established within its marketplace. With the resources of the retail giant Sears and through the direction of a small, highly motivated management team, of which the Controller will be an essential member, the company is now uniquely placed to embark upon a period of rapid growth and development.

In order to realise the full potential of the company, Warehouse now seeks a young Controller to make a positive contribution to these expansion plans. Leading a small team, this key role involves the development of systems as well as the production of management and financial information. Liaising extensively with non-accounting functions and other divisions within Sears, you will become heavily involved in the strategic direction of the company.

Aged 25-35, you should have at least 18 months' post-qualification experience within a fast moving, commercial environment. Proven communication skills are essential, as is the drive and enthusiasm necessary to meet the challenges of this very competitive marketplace.

Please apply directly to Penny Ridgett, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 01-836 3545, evenings 01-853 4009. Alternatively, fax your details on 01-836 4942.

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester · Bristol · Leeds



STEWART

West London

To £40,000 plus car

The former Group Finance Director at this highly respected electrical business has been promoted to Group Managing Director. He now requires a Controller to work with the Holdings Board to take the Group into a new phase of profitable diversification.

The £60m turnover Group is established as a leading electrical and mechanical contractor with several overseas companies. One group company, acquired 4 years ago, has become one of the UK's premier low voltage switchgear manufacturers. The Group is highly acquisitive and undergoing considerable expansion.

Growth potential of this role is excellent for an ambitious, positive, commercially astute accountant aged 30-40, with strong communication skills. Experience of construction related industries, of upgrading computerised information systems and of methodical line management are of paramount importance. Please forward your curriculum vitae with an appropriate covering letter which includes your present earnings and a daytime telephone number to:-



Peter Willingham (Ref: 056)
Managing Director
HODGSON IMPEY
SEARCH & SELECTION LIMITED
50 Pall Mall London SW1Y 6QJ

Progressive International Airline FINANCIAL MANAGER

To £27,000
+ Car
+ Benefits
Crawley, West Sussex

Air Europe, a major force in today's aviation scene and part of the dynamic International Leisure Group, is now pursuing an exciting programme of investment and growth. This involves the expansion of their network of scheduled services from Gatwick to European business and holiday destinations, as well as further diversification of their traditional charter market to the long haul arena.

This growth has now created an opportunity for an ambitious accountant to join Air Europe's headquarters finance team in an important new financial management role.

You will be responsible for the direction and development of a team of approximately 30 staff, including qualified and part qualified accountants, ensuring the production of comprehensive and timely management information, the development of a range of financial systems, and the implementation of effective controls required to monitor overheads, capital expenditure and other trading costs.

The individual sought will be a qualified accountant, likely to be aged 25-32, and able to demonstrate ability, enthusiasm and achievement. You will be required to solve complex problems, manage people and deliver results, whilst working within a high pressure environment.

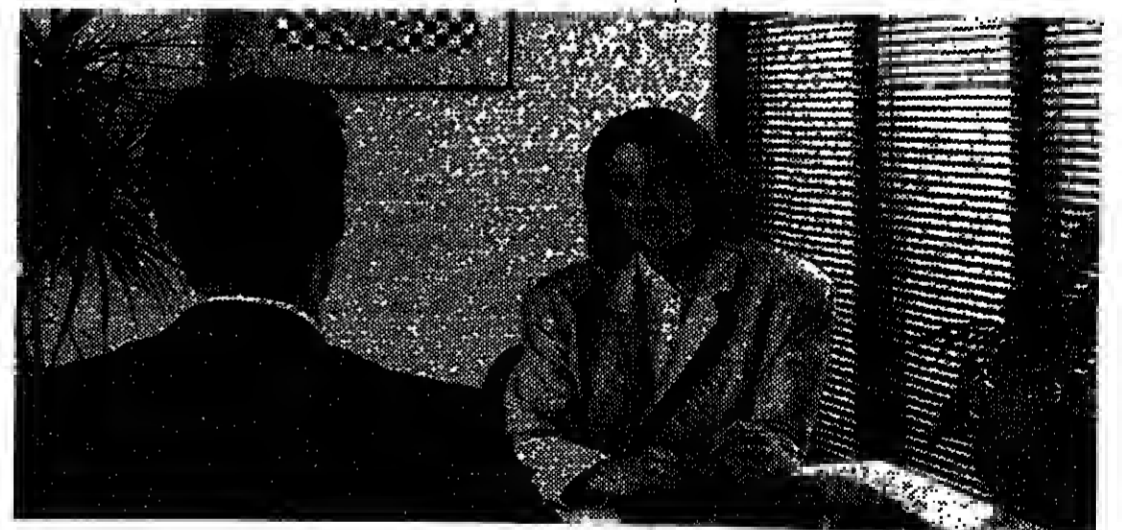
This high profile appointment offers an ideal platform for career progression within Air Europe and more widely within the International Leisure Group. In addition to a competitive salary and company car there are generous holiday, travel and other benefits.

For a detailed and confidential discussion, contact Paul Goodman or Brian Cognet on 01-387 5400, out of hours 0923 720284 or write to Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. Fax 01-388 0857.

air europe

QUALIFIED CIMAs - £22,000 - £35,000
+ Substantial Benefits

"I'm looking to use my product costing skills in a totally different environment"



As the financial services marketplace becomes increasingly competitive, success will depend on an organisation's ability to understand and react to the needs of its customers. Midland Group, through its numerous businesses, provides an extensive range of financial products and services for personal and corporate customers both in the UK and overseas.

With so much emphasis on new product development, Midland Group presents an excellent opportunity for qualified CIMAs with backgrounds in manufacturing industry or commerce to broaden their experience. We require bright, enthusiastic people to improve Midland's existing product profitability systems, and contribute towards new product development strategies.

In an environment of variety and change, with a progressive management style, career progression is rapid and based purely upon personal contribution.

Together with salaries ranging from £22k to £35k, we offer a comprehensive range of banking benefits, including mortgage subsidy. In addition, some positions include a company car.

If you would like to know more about the attractions of working for Midland Group, contact Charles Austin, quoting ref: A321, at Mervyn Hughes International Ltd, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Telephone 01-488 4114.



MIDLAND GROUP

European Roles

to £30,000 + car

Our client is the fast growing European operation of Cognos which is a successful leading Canadian software supplier specialising in advanced language technology for developing business applications. The company has been operating since the early 1970s and is committed to a high level of expenditure on research and development. Consequently its peace-setting products are recognised worldwide and there is considerable scope for widespread expansion.

The European business has grown dramatically and as a result two new positions have been created, based at the European head office in Bracknell and reporting to the European Financial Controller.

Assistant Financial Controller

This position will assist in providing a complete controllership function for a number of European subsidiaries, along with accounting, business and systems support for the regional operations managers. Most importantly, it is a proactive business role intended to give active and constructive commercial support rather than merely supplying an accounting service. **REF 187**

Manager - Business Planning

This position will carry responsibility for all budgeting and forecasting activities along with business analysis for the European subsidiaries. Candidates for this position must have experience of budgeting, preferably in a European environment. **REF 187**

Candidates will be recently qualified chartered accountants aged in their late 20s to early 30s. They should have experience of progressively more demanding roles with up to two years' post qualification experience. They must be commercially aware and have had some exposure to the financial systems, controls and reporting procedures of a fast moving hi-tech company.

An ability to adapt quickly to the demands of a changing environment must be combined with a dynamic results oriented style. Well developed interpersonal skills and initiative will be essential. Some travel will be necessary and the ability to speak a European language would be useful.

These are excellent career positions for the progressive candidates looking to make an impact during their business careers.

If you are interested please reply in confidence giving concise career, personal and salary details quoting the appropriate reference to: Michael Payne, Arthur Young Corporate Resourcing, 21 Conduit Street, London W1R 5TB.

Arthur Young Corporate Resourcing

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

GROUP FINANCIAL CONTROLLER

Gwent £25,000 - £30,000 + Bonus + Car

Brushes International Limited is the management and holding company for a well established industrial brush manufacturing group which has subsidiaries in France, Germany, Portugal, Brazil and the UK.

The post holder will report to the Group Chairman and will work closely with him, providing consolidated accounts and interpreting results for companies within the Group, undertaking ad-hoc projects which will involve travel within Europe, and assisting with the formation of strategic plans. Responsibilities will include treasury functions, administrative assignments and Company Secretarial duties.

The successful candidate will be a fully

qualified chartered accountant, with at least 2 or 3 years post qualification experience, which will have included consolidation of accounts, preferably in an international group environment. A working knowledge of European accounting conventions and some degree of fluency in French and other languages would be advantageous.

Prospects for advancement and increased responsibility within the group are excellent. A generous and negotiable salary package is offered together with relocation assistance where applicable.

For further information please telephone Ann Fry on 0222 462463 or send your CV to her at the address shown below.



Peat Marwick McLintock

Executive Selection

Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE

Leading Retail Group

Senior Financial Analyst

to c£30,000 + Car + Benefits

West End

Our client is one of Britain's leading international retail companies. They are currently embarking on an exciting programme of investment and change involving the highly innovative re-development of existing stores, the opening of numerous new outlets and the promotion of high profile brands. In addition they have recently entered into an important new strategic business venture and acquired a prestigious European fashion chain.

As a result of the clearly defined requirements for strong financial management and control a challenging new appointment has now arisen within the young group finance team.

Reporting to the Financial Planning Manager you will play an important role in ensuring that the group board receives the high quality of information and commentary required to make key business decisions. This will encompass the analysis and interpretation of subsidiary performance, appraising and making recommendations relating to major capital expenditure proposals. Involvement in the group budgeting and forecasting process and a range of ad hoc assignments.

The individual we are seeking must be a qualified accountant, ACA/ACMA/ACCA, probably under 30, and should already have gained at least eighteen months post qualification experience in a commercial environment.

You will be a confident and assertive professional capable of high quality objective analysis, with a strong commercial acumen.

This is an ideal opportunity to gain experience in a dynamic plc headquarters. Promotion prospects are excellent and success in this demanding role will create an ideal platform for accelerated career progression.



Executive Selection Division

Contact: Paul Goldman or John Bowman, Consultants to the Company, at Financial Selection Services 01-387 5400 (24 hours) evenings 0474 874473 or write to Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. (Fax 01-388 0857).

Divisional Finance Director Designate

Greater Manchester

c£35,000 + Car + Bonus

Our client is an internationally renowned UK group, engaged in the manufacture and marketing of specialised technical products. A reputation for excellence of design and high quality manufacturing has established them as market leaders in their field. Current group restructuring is being undertaken to provide a flexible approach to product development, manufacture and distribution across all operations, in preparation for the European single market. These activities will be supported by a major capital investment programme.

Initially, you will assume responsibility for day to day financial control of their Manchester based business and financial project management for the establishment of the major operating division of the group. Early progression to Divisional Finance Director is envisaged, where you will play a key role in the future development of the division. Your responsibilities will include the

financial control of international manufacturing and marketing operations and in particular the development of effective financial control systems, performance evaluation and review and the management of working capital, together with overall strategic development of the business.

Candidates should be qualified accountants, aged 30-40, who can demonstrate a strong track record of achievement at senior management level within a manufacturing environment. Strong interpersonal skills, together with initiative, commercial acumen and the ability to contribute significantly to broader business development, are essential.

Interested applicants should forward their current CV to: Leta Blair ACMA quoting reference 4455 at Michael Page Finance, Executive Division, Clarendon House, 81 Moseley Street, Manchester M2 1LQ.



Michael Page Finance

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Finance Director

West Midlands

c£30,000 + Car

Part of the FKI Babcock PLC, the growth oriented UK based multi-national, our client is a profitable £20m turnover engineering company involved in the sale and manufacture of capital equipment. The Finance Director will be a key member of the management team, charged with continuing the successful growth record of the company.

The successful candidate will assume total responsibility for all finance and related functions in a demanding business environment. In particular, he/she will be required to adopt a 'hands on' approach to the development and implementation of

financial and contract control systems, cash management and stock control discipline.

Candidates, aged over 30, should be qualified accountants, who can demonstrate a successful track record gained in an engineering capital goods oriented manufacturing business. In addition to strong technical skills, the drive and ambition to succeed in a dynamic, fast moving operating is essential.

An excellent salary package with full relocation is on offer. Interested applicants should write enclosing a full CV, to: Eway Hodgkins ACA at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

Michael Page Finance

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Financial Controller

Dynamic Public Property Company

London SW1 £30-35,000 plus car

Our client is a fast growing, major public property company involved in investment, development and trading operations. With a reputation for entrepreneurship combined with prudent policies, the company has expanded significantly in recent years and is financially strong. This, together with an exciting development programme and energetic management provides for a further period of controlled growth.

They now wish to appoint a young Financial Controller reporting to the Group Financial Director, to be responsible for the accounting department, preparation of year end accounts, cash management and overseas reporting. Development and enhancement of accounting and management reporting systems will be a key part of this progressive role.

Applicants must be commercially aware Chartered Accountants with at least three years' post qualification experience, which should include financial modelling and computerised accounting systems. Flexibility and willingness to work under pressure are essential as are good technical and interpersonal skills. Knowledge of the property sector would be useful.

There are good prospects for career development within this fast expanding company.

Please send your curriculum vitae, including current salary and daytime telephone number, quoting reference D2017 to Andrew Goodburn, Grant Thornton Management Consultants Limited, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

Grant Thornton

MANAGEMENT CONSULTANTS

The UK member firm of Grant Thornton International

GROUP ACCOUNTING

Service Sector Leader

c£30,000 + car

An autonomous subsidiary of one of the world's strongest financial groups, our client is a leading force in its rapidly changing sector.

As a key member of a close knit head office team, responsibilities will include the review and consolidation of management and statutory accounts, budgetary control and financial planning. Regular contact with management of self accounting regions and ongoing accounting and systems development work will provide further challenge and fulfilment.

Aged late 20s/early 30s, applicants should have at least four years' post qualification experience gained either in the profession or commerce/industry. Career prospects in this company and the parent group are excellent.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/840/CF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

Legal Appointments

appear every Monday

For Further Information Contact 01-873 3000

Elizabeth Rowan
Ext 3456

Wendy Alexander
Ext 3526

IN THE NORTH EAST

BRENT WALKER FINANCIAL CONTROLLER - INNS

Cleveland - Hartlepool c. £28,000 + Car + Benefits

Brent Walker Group Plc is a highly successful business engaged in leisure activities including brewing, wine and spirits retail outlets in the UK and overseas, the recent acquisition of J.H. Conners & Co. Ltd, Yorkshire Coldwell Breweries Ltd, and their 294 public houses, in addition to 254 licensed hotels from which management has resulted in a significant strengthening of the brewing and leisure division.

A recent reorganisation will provide the management and activities of all brewing and leisure at Hartlepool and have brought about the need to recruit further senior management to strengthen the existing team.

This newly constituted group of around 1200 licensed and managed hotels throughout the UK. Reporting to the Board of Directors you will be involved in strategic development of the estate and its growth in terms of revenue, profitability and cost base. There is a constant need for the ongoing development of management information and for interface with other departments including the sales, marketing and distribution functions.

We anticipate you will be a qualified accountant, aged 29-40 with the

ability to motivate and gain acceptance of others in a dynamic environment. A positive, communication self-starter you should have a track record of targets, measurable results and proven ability to deal intelligently with a variety of problems in order to meet deadlines.

In return you will enjoy a challenging and diverse role dealing with all levels of management, in a Group offering outstanding opportunities for further career development. A full relocation package is offered where appropriate.

Candidates with the relevant background and experience should apply without delay.



Nigel Wright Consultancy
Saville Chambers, North Street
(Off Saville Row), Newcastle upon Tyne
NE1 5DR Telephone 091 222 0770
including evenings and weekends.

Specialists in Financial Recruitment

Director of Finance Legal Practice

London - package value not less than £50,000

This major firm of London solicitors has shown extremely substantial growth over the last few years. Partners and staff now number about 400.

A new position, Director of Finance, has been created in order to strengthen the management team of the practice. The position will manage the accounting function which numbers fifteen, but more importantly, is expected also to develop the existing financial systems and to improve the flow of policy-related information to the partners.

It is expected that you will be a degree and qualified chartered accountant, probably in your mid 30s to mid 40s. You should have a strong management accounting background, coupled with systems development and staff management experience.

Ideally you will have worked in a professional partnership environment, and be able not only to demonstrate a high level of professional skills, but be mature, diplomatic and flexible in your approach.

Please send a comprehensive cv including salary history and daytime telephone number quoting ref 3044 to Bruce McKay, Executive Selection Division.

Touche Ross

Thames Inn House, 3/4 Holborn Circus, London EC1N 2HR.
Telephone: 01-353 7361.

Senior Financial Opportunities With International Company

A world leader in distribution with a turnover approaching \$5 billion, this company is expanding rapidly by offering the highest expertise and quality of service to customers. They are now recruiting for two key roles within the senior management team at their Head Office.

Treasury Manager

High Wycombe, c £32,000, Executive Car, Benefits

Reporting to the Managing Director Finance you will be responsible for all treasury matters. Key tasks will be to ensure strong co-ordination and communication with the United States parent company treasury, the listing with the UK banks and financial institutions, the monitoring of the operating divisions bank accounts to ensure optimal netting of cash positions, cash flow forecasting, regular reviews of alternative fixed assets financing strategies and tax planning. Preferably aged 30-40 you will have a treasury qualification. It is essential that you are self-motivated, commercially aware and able to communicate well at all levels. Ref: B18078/FT.

Planning And Analysis Manager

High Wycombe, c £30,000, Executive Car, Benefits

Reporting to the Managing Director Finance, the position will involve close liaison with the UK Finance Managers in consolidating and analysing results and data from the operating divisions, reporting on all aspects of the UK business, and the co-ordination of annual and long term planning. The role also involves interpreting results for senior management both in the UK and United States. Preferably aged 25-35 you will be either a Chartered Accountant or ACMA. It is essential that you are numerate, computer literate and able to communicate well at all levels. Ref: B18078/FT.

In addition to the attractive salaries quoted, the range of benefits include an executive car, health cover, non-contributory pension and relocation assistance where appropriate.

Male or female candidates should submit in confidence a comprehensive cv, or telephone for a Personal History Form to: C.I. Deskite, Hoggett Bowers plc, 15 Princes Road, Edgbaston, BIRMINGHAM, B15 1JL, 021-455 7575, Fax: 021-454 2338, quoting appropriate reference.

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The FINANCIAL DIRECTOR will control a small staff - working closely with the Managing Director in the administrative control of the Company - and with the brief to strengthen Management Information reporting to the London head Office.

The role will call for further development of Accounting Systems - improving controls of Invoicing, Debtors, Stock Control, Purchasing, Inventory, Profitability studies, Budgets and reporting procedures. A new Integrated Computer System will shortly be introduced and it is important that applicants have good Systems experience - together with skills in training and motivating staff.

Applications will be welcomed from qualified Accountants - who must be fluent in Italian. The preferred age is 25-40 and in addition to proven Technical accounting skills, we seek abilities in liaison, reporting and communication.

**To apply - please contact ARTHUR HUPFER
Adviser to the Company.**

Beaumont House,
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call 01-873 3000

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To ensure the provision of financial advice and control essential in this period of transformation and thereafter, they wish to recruit an ambitious young accountant to strengthen the group accounting function.

The role will be both wide-ranging and challenging, encompassing a number of areas which will include monthly and annual reporting, the provision of technical advice, treasury, involvement in group taxation issues and other ad hoc tasks such as stock exchange documents relating to acquisitions. Experience in a number of these fields is highly desirable although training and support will be provided as necessary.

Applicants, aged 27-32, should be graduate ACAs with at least 3 years post-qualification experience in public practice or commerce/industry and have good interpersonal skills.

Candidates should be able to demonstrate the ability and ambition to progress their careers rapidly. Prospects of a move to other positions are excellent either within the existing framework of the group or with a newly acquired company.

For further details contact Cheryl Bailey on 0734 391003 (evenings and weekends 01 992 9924). Alternatively write enclosing a full Curriculum Vitae quoting Ref RCB07.

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Treasury Accountant


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An exceptional accountant, you will strengthen the Treasury Accounting Team by taking responsibility for Bullion and Option trading accounting within this active and expanding department.

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The remuneration package reflects the importance attached to the position. For further details please telephone Ian Remondson on 01-283 0911, or send a full cv to The Personnel Manager, Elders Finance Group Limited, Greenly House, 40 Dukes Place, London EC3A 5BX.



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The key responsibilities are:-

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- Investigation of potential acquisition targets.
- Treasury Management.

Candidates should be ACA or ACMA, aged probably 30 to 40 with manufacturing experience within an operating Division, plus a period spent at Group/Head Office level. You should possess a keen intellect and energy combined with the confidence and professional skills to communicate at Main Board and Divisional level.

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Please telephone or write for an application form to:-

Graham Shaw, Personnel Manager, Robinson and Co Ltd,
Treasury Wells, Wores WR15 8EB
0584 810367 Ext 270

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To apply please send cv indicating current salary and quoting ref. 3499/BK/FT to Bethan Keel, PA Consulting Group, Rounstan Court, 68 Rounstan Street, Manchester M2 2PE, or telephone her secretary for an application form, on 061-236 4531.

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Initially, you will assist the Financial Accountant during her 2 years secondment in the UK from our US parent company. After this period, it is expected that you will replace her in this challenging and rewarding job.

To meet these demands, you should be a part or newly qualified accountant of the ACA, ACCA or ACMA examination.

In return, our benefit package will include a salary of £18 - 20K, company car, private medical insurance, a contributory pension scheme and assistance with continued study for your professional qualifications, if applicable.

Please reply with full CV to:
Mr Peter Corrigan, Personnel Manager, AEI/Pandair,
International House, Central Trading Estate, Staines,
Middlesex TW18 4DQ. Telephone 0784 457631.

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Hull City Council BUSINESS TAKES OFF

INSIDE

Forward with the Swedish revolution

Monday will be big day for Bengt Dennis. Out will go most of what remains of Swedish foreign exchange controls...

Watanabe cast as chief villain

Koito Manufacturing, the Japanese company under siege from T. Boone Pickens, the US corporate raider, and Mr Kitano Watanabe, the Japanese ally...

Soya destroyers go to war

Brazil's soybean growers are locked in a bitter dispute with the Government over almost every aspect of the industry. Militant farmers have blocked roads, besieged processing centres and burnt tons of soybeans in public.

Issues in a non-vintage year

The first half of 1989 may have seen a sharp upsurge in the prices of companies already quoted on the London stock market...

Malaysia's party pooper

The Malaysian stock market has been one of the world's better performers this year, but foreigners may be hindered from building up investments there because of a shortage of top quality stocks.

Market Statistics

Table with 2 columns: Item and Value. Includes items like Base lending rate, Bank of England base rate, FT-A indices, etc.

Companies in this section

Table listing companies and their share prices. Includes Alexander (Walter), Aquatic Chemical, Barratt, etc.

Chief price changes yesterday

Table showing price changes for various indices and currencies. Includes Frankfurt (Dax), Paris (CAC), Tokyo (Nikkei), etc.

LONDON (Pence)

Table showing price changes for London stocks. Includes Accounting Equip, Bank of Scotland, Biffaward, etc.

GEC at top end of City forecasts with 13% rise

By Terry Dodsworth in London. PRE-TAX profits at General Electric Company, Britain's largest electrical and electronics group, rose 13 per cent last year as the company registered strong performance in its office equipment, electronic measurement and power systems divisions.

Gateway's value set to rise again

By Nikki Tait in London. THE value put on Gateway, Britain's third largest food retailer which is subject to two rival bids already worth more than £2bn, could rise again after a statement yesterday from one of the bidders.

Daimler to raise around DM1.5bn

By David Marsh in Berlin. DAIMLER-BENZ, the West German motor conglomerate, is planning to raise capital through a one-for-ten rights issue to strengthen its financial resources, but no date for the transaction has been set.



Reuter defended MBB takeover

Exotic fruit whets the German appetite

Andrew Fisher on the growth of company buy-outs

In West Germany, new financial ideas tend to be treated gingerly, rather than picked up avidly. So until recently a wry shake of the head, if not a derisive laugh, would have greeted the notion of a well-established company, in a typical German industry like engineering, being bought by its managers and outside investors and then, not long afterwards, going to the stock market.

Leading W. German management buy-outs. Table with columns: Company, Value (DMm), Sector, Lead Investor. Includes Lignotek, Ex-Cell-O, Hein Gercke, etc.

Italian groups forge three-company union

By John Wyles in Rome. ITALY'S FERRUZZI, Varasi and Cabassi groups are to bring together many of their interests in publishing, insurance and property in a single holding company to be quoted on the Milan stock exchange.

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Advertisement for Black Country House, Rounds Green Road, Oldbury West Midlands. Includes a large grid graphic and contact information.

INTERNATIONAL CAPITAL MARKETS

Chile deal signals lending shift

By Stephen Fidler, Euromarkets Correspondent

A COMPLICATED financing package for a \$600m export-orientated pulp plant in Chile, part of which will be provided by new loans from foreign banks, was signed in Santiago yesterday.

The new Aranco plant will be built alongside the company's existing factory, reducing the overall costs, and its product will be exported entirely.

Treasuries dip as profit-takers move in

By Karen Zagar in New York and Norma Cohen and Stephen Fidler in London

IN SPITE OF an encouraging 1.3 per cent decline in May's leading economic indicators and a strong dollar, US Treasury bonds opened the day weakly as traders took profits.

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Maturity, Price, Change, Yield, Week ago, Month ago. Rows include UK GILT, US TREASURY, JAPAN, FRANCE, CANADA, NETHERLANDS, AUSTRALIA.

INITIAL enthusiasm for the UK government bond market faded as sterling's early gains eroded. Conventional government bonds rallied by 1/2 point, with one of the benchmark long-dated government bonds - the 11 1/2 per cent of 2003-07 - falling briefly through the 10 per cent level.

GOVERNMENT BONDS

down 1/2 point at 10 1/2 yielding 8.11 per cent. The Fed conducted \$15bn customer repurchase agreements in order to keep the weekly average within the 9 1/2 to 9 per cent range.

The dollar stayed buoyant despite Fed support for the yen. At mid-day the dollar was \$142.95 and DM1.9645, against \$143.75 and DM1.966 late Tuesday in New York.

involvement with various gas has had undermined public confidence in the ruling Liberal Democratic Party. The benchmark No.111 JGB yield traded around 5.45 per cent late in the London day after closing on Tuesday at 5.39 per cent.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international issues for which there is an adequate secondary market.

Large table listing international bonds with columns for Issuer, Coupon, Maturity, Price, Change, Yield, etc. Includes entries for various countries like Australia, Canada, France, Germany, etc.

Malaysia plans to raise \$3bn

MALAYSIA will raise up to \$3bn through (\$2.9bn) from its domestic markets to finance outstanding projects and for infrastructure to support emerging private investment, Renter reports.

Mr Mohamed Sheriff Mohamed Kassim, chief of the economic planning unit (EPU), said public investment would total 28.5bn in calendar 1989 and 1990, compared with 28.5bn in 1988-89.

RETAILING

The Financial Times proposes to publish this survey on:

12th September 1989

For a full editorial synopsis and advertisement details, please contact:

Jonathan Wallis on 01-873 3565

or write to him at:

Number One Southwark Bridge London SE1 9HL



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Agent Bank Bank of America International Limited 29th June, 1989.

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INTERNATIONAL CAPITAL MARKETS

Two building societies raise £300m in FRNs

By Katharine Campbell
IT WAS sterling's turn in the primary market yesterday, with three issuers hoping to take advantage of the currency's relative stability...

INTERNATIONAL BONDS

helped by considerable demand in the 10-year maturity range. Other market sources said the issue had struggled a bit. Another deal caught on the wrong side of the underlying government market...

NEW INTERNATIONAL BOND ISSUES

Table listing bond issues with columns: Issuer, Amount m., Coupon %, Price, Maturity, Fees, Book runner.

Austrian bank in \$205m global issue

THE Austrian bank Oesterreichische Kontrollbank is launching a \$205m global medium-term note programme under which 10-year securities will be simultaneously offered in the US and Europe...

\$300m with shorter maturities to be included. While the spread over comparable maturity US Treasuries, at 83 basis points, is the same in both the US and European tranches...

Riksbank governor turns revolutionary

On the eve of deregulation, Sweden's chief central banker talks to Robert Taylor

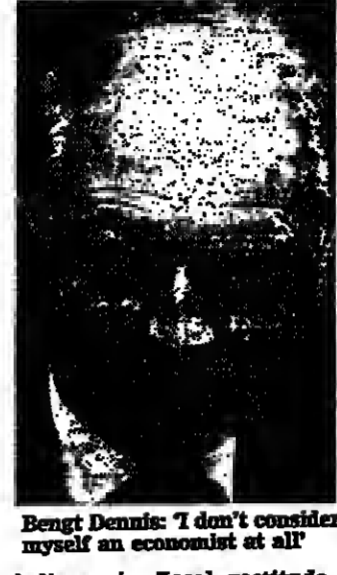
MR Bengt Dennis, governor of Sweden's central bank, is looking forward to next Monday - the day Sweden's financial markets move into a brave new deregulated world...

A SPECIAL committee is to examine whether Sweden needs a turnover tax on capital market transactions, Reuters reports. According to the Foreign Ministry, the committee is expected to complete its findings by May 1990.

The government is carrying out a reform of the Swedish tax system. The ministry said the new committee's task was to make the tax system in the financial sector more uniform.

"As long as we agree on our basic analysis we don't have to consult all the time." However, Mr Dennis does not always win the argument with Mr Feldt. He does not dispute his dismissal, for example, at the recently introduced turnover tax...

He spent 14 years working in the media, mainly as a business and political journalist in the Social Democratic press. He also believes it helped to stabilise exchange rate expectations and generate confidence in exchange rate policy.



Bengt Dennis: 'I don't consider myself an economist at all'

One of the best decisions of our monetary policy was to ensure that the Government did not borrow abroad," he recalls. "That move was due to our initiative and it won parliamentary support in 1984. It has acted as a corset supporting a necessary discipline in economic policy."

Mr Dennis recognises that the present obstacles to foreign penetration for much longer. The challenge of the EC's drive to a free internal market by 1992 has provided the governor with a far stronger set of arguments to justify his long-term liberalisation strategy.

Mr Dennis has proved himself to be a remarkably forceful and agile governor, an astute player in the complex network of close personal relations that bind together the diverse members of the ruling Swedish establishment.

It is his crucial alliance with Mr Kjell-Olof Feldt, the country's Finance Minister, that has shaped Swedish financial strategy during the 1980s. The Riksbank dates back a long time, to their activist student days together in the Social Democratic party when Mr Dennis was reading social economics at Stockholm University.

During his years as governor he has taken Sweden on a long march away from regulation to a much freer economy. Paying a tribute to his predecessor, Mr Dennis argues it was the introduction of Treasury bills in the middle of 1982 that marked the start of the move towards financial liberalisation.

There has been a rather protectionist attitude towards foreign companies who want to acquire a Swedish business or buy a stake in a Swedish company in the financial field," he admits. Some changes have already taken place to relax such controls. Since 1985 foreign banks have been allowed to establish subsidiaries in the Swedish market...

Mr Dennis does not rule out action later in the year to provide foreign companies with the opportunity to establish finance and stockbroking companies in Sweden. But the opening up of the economy to the possibility of foreign ownership inside the European Community will make it difficult for Sweden to participate in the present obstacles to foreign penetration for much longer.

When he arrived at the bank in September 1982 with the return of the Social Democrats to power after six years' absence and a 16 per cent devaluation in the krona, Mr Dennis inherited severe domestic difficulties. These had been caused by a huge government budget deficit and a massive increase in the money supply.

He has proved to be a stern measure in the financial sector. The committee will submit any proposals to the Finance Department. The Government is carrying out a reform of the Swedish tax system. The ministry said the new committee's task was to make the tax system in the financial sector more uniform.

Mr Dennis recognises that the present obstacles to foreign penetration for much longer. The challenge of the EC's drive to a free internal market by 1992 has provided the governor with a far stronger set of arguments to justify his long-term liberalisation strategy.

There has been a rather protectionist attitude towards foreign companies who want to acquire a Swedish business or buy a stake in a Swedish company in the financial field," he admits. Some changes have already taken place to relax such controls.

Some changes have already taken place to relax such controls. Since 1985 foreign banks have been allowed to establish subsidiaries in the Swedish market and there are now 10 foreign-owned banks operating in the country.

LONDON MARKET STATISTICS

Table showing RISES AND FALLS YESTERDAY for various market indices like British Funds, FT-Actuaries Share Indices, etc.

LONDON RECENT ISSUES

Table listing recent issues with columns: Issue, Amount, Maturity, etc.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns: Issue, Amount, Maturity, etc.

RIGHTS OFFERS

Table listing rights offers with columns: Issue, Amount, Maturity, etc.

TRADITIONAL OPTIONS

Table listing traditional options with columns: Issue, Amount, Maturity, etc.

LONDON TRADED OPTIONS

Large table listing London traded options with columns: Issue, Amount, Maturity, etc.

FT-ACTUARIES SHARE INDICES

Table showing FT-Actuaries Share Indices for various categories like EQUITY GROUPS & SUB-SECTIONS, FIXED INTEREST, etc.

Table showing Average Gross Redemption Yields for various periods like 1 Year, 2 Years, etc.

40-year index 2224.0, 10-year 2224.5, 5-year 2221.6, 2-year 2210.9, 1-year 2209.5, 6-month 2209.5, 3-month 2209.5, 1-month 2209.5.

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Reporting to the Chief Accountant, and assisted by a small team of enthusiastic accounts staff, your main duties will include the production of detailed monthly management accounts; annual returns to the Department of Trade and Industry; and the preparation of statutory annual accounts. You will also be involved in developing existing computerised accounting systems.

Applicants aged between 25-35, should be qualified accountants (ACA/ACCA) with a sound knowledge of computerised accounting systems. Insurance company experience, although desirable, is not essential. The salary is c.£22K with a company car, plus free BUPA membership, and a contributory pension scheme.

Please apply, in confidence enclosing a detailed CV to:
Anne Thoma, Personnel Manager,
Consolidated Insurance Group Limited,
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Reporting to the Finance Manager, you will gain broad experience across all aspects of the business. 50% of your time will be spent analysing and reporting on results from operating companies; the other half of this pivotal role will be project-based, with ad hoc work ranging from analysis of trading positions and funding to new business and long-term strategic planning.

Due to the wide ranging nature of the role, exposure gained will be broad. This, linked to a policy of promoting from within, ensures that career prospects will be excellent.

Please contact ANDREW LIVESY on 01-404 3155, or write to him at Alderwick Peachell & Partners Ltd., Accountancy and Financial Recruitment, 125 High Holborn, London WC1V 6QA.

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Candidates must be young, well qualified accountants who have gained training and experience with a well established practice or company, which has exposed them to the accounting standards and requirements of public companies and preferably to mergers and acquisitions.

The initial remuneration package will be excellent, including a good salary and the opportunity to earn a substantial bonus, as one would expect for a high flyer accountant in this form of company which believes in rewarding successful people. Career prospects in this exciting fast growing group are excellent.

Interviews will be held in London.

Please send details of your career and contact telephone numbers quoting reference 6124/FT to: George Hopwood.

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Management Consultants
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INVESTORS IN INDUSTRY

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UK COMPANY NEWS

Rise in prices helps Shanks & McEwan advance to £13.5m

By Vanessa Houlder

SHANKS & McEWAN Group, waste disposal specialist, yesterday announced a 37 per cent rise in pre-tax profits from £9.5m to £13.2m for the year to March 25. Turnover increased by 46 per cent from £59.82m to £87.04m.

where profits increased from £1.47m to £1.68m, saw a drop in margins as a result of a temporary downturn in its quarrying activities. Mr Runciman said that the division had a healthy, high quality order book and its performance would match the growth of the rest of the company.

Strong demand resulted in a 15 per cent rise in prices in the waste disposal division, while operating costs increased in line with inflation. Mr Peter Runciman, chairman, said that the introduction of tougher legislation did not require any action from Shanks & McEwan, although it gave indirect benefits through raising costs for many of its competitors.

A bitter vitamin pill to swallow

Robert Rice on the likely defeat of one Gold Fields defence gambit

SHAREHOLDERS of Consolidated Gold Fields will vote tomorrow on the so-called "vitamin pill" defence it introduced during the closing stages of the hostile bid for it by Minorco.

In different circumstances, the vote would provide an opportunity to assess how the scheme was received by investors and what part it played in their final thinking on Minorco's £3.5bn bid.

Wachtell Lipton Rosen & Katz, the New York law firm. Under the Lipton scheme, the target company would adopt a resolution that if its existing shares did not reach a pre-determined higher price within a fixed period of years, it would buy them back at a price which reflected any shortfall between the final bid terms and the market price at the end of the period.

The aim of the scheme was to persuade investors that they would not lose if shares dropped once a hostile bid lapsed. Mr Lipton sent a copy of the scheme to Mr Grieves in London asking for his comments on whether it would have any application in the UK.

was confident in its assets base and its ability to manage and there was a lot of underlying institutional support. But the institutions appeared to be saying that they needed a reason to stay with Gold Fields; something to compensate them if the Minorco bid lapsed.

The scheme also had to be capable of introduction by a method requiring less than a special resolution so that it could not be defeated by Minorco's 29.6 per cent.

stretch the management but which was also realistically achievable. The 400p figure represented an average annual compound growth requirement of more than 20 per cent.

Critics of the scheme maintained that if the company looked as though it was not going to meet the earnings target and that it would have to dispose of its assets to pay the dividend, the value of the ordinary shares would suffer accordingly.

Mt Charlotte purchase

MOUNT CHARLOTTE Investments, the hotel group, is adding to its London interests with the purchase of the Charles Dickens Hotel in Lancaster Gate for £24.25m.

opposite the Park Court Hotel, another Mount Charlotte property, and will be run as an independent hotel with 133 bedrooms and normally enjoys occupancy levels of more than 90 per cent. It is likely to make £2m next year and is expected to cover its interest charge in the current year.

Leisuretime Intl returns to the black

By Clare Pearson

THOSE WHO have become increasingly confused by the myriad of companies with the word "leisure" in their name can take heart from a decision by Leisuretime International to change its title to Buckingham International.

Clear Lake near Houston. After refurbishment the hotel is expected to have cost about £20,000 per room.

The change was announced yesterday as the Jivraj family-controlled hotel, nursing home and tour operator unveiled pre-tax profits of £1.15m, against a loss of £1.36m, in the half-year to end April, as well as the acquisition of its second hotel in Texas.

The Preston Travel and Repose Hotels operation lost £578,000. It is expected to make operating profits of about £700,000 for the year despite the depressed tour industry. Country Care Homes made an operating profit of £310,000.

Goodman diversifies into video rental market

By Graham Deller

GOODMAN GROUP, the troubled fashion clothing manufacturer and retailer, is diversifying through the acquisition of Ashbrights, a video rental chain, and Pehlletape, a company whose main asset is a shareholding in Cityvision, the video tape distributor.

Video Store banner, is being acquired for £1m, satisfied by the issue of 3.53m shares. Further profit-related payments, of up to 6.15m shares, may become payable over the next three years.

Directors said that the purchases, which are conditional on shareholders' consent, would "reduce Goodman's dependence on fashion retailing and bring in a business which can be rapidly expanded from a low capital base".

The need for the move was illustrated by Goodman's results for the year to end January which showed a pre-tax deficit of £594,000 against profits of £43,000 in the previous nine-month period.

WAGON INDUSTRIAL

Profit before tax up 66%

Summary of results for the year ended 31 March 1989

Table with 4 columns: Item, 1988, 1989, 1988. Rows include Sales, Pre-Tax Profits, Dividend per share, Earnings per share - basic, Earnings per share - fully diluted.

"The Group progressed well during 1988/89 achieving good profit and earnings growth. As a result of changes in the composition of the Group during the year, Wagon now has a significant overseas presence and well balanced UK activities. Comparable order books are ahead of those at the same time last year and growing economic conditions do not deteriorate, we look forward to further progress in the new financial year."

Paul D. Taylor, Chairman 28 June, 1989

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FIH in £1.2m French buy

FERGUSON INDUSTRIAL Holdings, the packaging, printing and plastics group, is paying an initial FF12.8m (£1.2m) for Benue, a plastic manager based at Oyonnax near the Swiss border.

mental European operations. A further FF1.2m is payable under the terms of the purchase agreement.

Cadbury buys Spanish confectioner

By Lisa Wood

CADBURY SCHWEPPEs, the UK soft drinks and confectionery group, is to acquire Chocolates Hueso, a family-controlled Spanish confectionery manufacturer for an undisclosed sum.

July 4 is the deadline for votes to be taken on an ordinary resolution, put forward by the Cadbury board, to increase the group's borrowing limits to around £1.7bn.

Hueso, based near Zaragoza, has an annual turnover of around £15m and pays tax in the last financial year were £1.44m. Net tangible assets being acquired amount to some £6.5m.

This was because General Cinema, the US group which holds a 17 per cent stake in Cadbury, opposed the special resolution required to make this change. Some 71 per cent of voters however were in support of the Cadbury board's proposal.

Stanco exceeds £2m and doubles dividend to 1p

STANCO EXHIBITION Group, the USM-quoted company involved in the supply, building and hiring of exhibition and display stands, reported pre-tax profits of £2.01m for the 12 months to the end of April.

The figures did not include any contribution from GJ Blevins, the shopfitter acquired in March and subsequently resold to its vendors after certain discrepancies in valuation of work-in-progress and debtors came to light.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY - Indices of industrial production, manufacturing output (1985 = 100); engineering orders (£ billion); retail sales volume (1985 = 100); retail sales value (1985 = 100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

Table with 10 columns: Index, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997. Rows include Industrial production, Manufacturing output, Engineering orders, Retail sales value, Retail sales volume, Registered unemployment, Unfilled vacancies.

OUTPUT - By market sector: consumer goods, investment goods, intermediate goods (multiple and total); engineering output, metal manufacturers, services, leather and clothing; 1985 = 100; housing starts (000s, monthly average).

Table with 10 columns: Output, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997. Rows include Consumer goods, Investment goods, Intermediate goods, Engineering output, Metal, Services, Leather and clothing, Housing starts.

EXTERNAL TRADE - Indices of export and import volumes (1985 = 100); value balance; current balance (£m); all indices (1985 = 100); trade balance (£m); current balance (£m); all indices (1985 = 100); current balance (£m); all indices (1985 = 100).

Table with 10 columns: Index, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997. Rows include Export volume, Import volume, Value balance, Current balance, Trade balance, Reserve LGDN.

FINANCIAL - Money supply M0, M1 and M3 (annual percentage change); borrowing lending to private sector, building societies and inflow, consumer credit; all seasonally adjusted. Clearing Bank base rate (and period).

Table with 10 columns: Index, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997. Rows include M0, M1, M3, Bank lending, SO, Consumer credit, Base rate.

INFLATION - Indices of earnings (1955 = 100), basic consumer and living; wholesale price of manufactured products (1985 = 100); retail prices and food prices (1985 = 100); Retailers commodity index (1985 = 100); trade weighted value of sterling (1975 = 100).

Table with 10 columns: Index, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997. Rows include Earnings, Basic consumer, Living, Wholesale price, Retailers commodity index, Trade weighted value of sterling.

COMMODITIES AND AGRICULTURE

Row looms over planned EC ban on dairy hormone

By Tim Dickson in Brussels

THE RUMBLING controversy over bovine somatotropin (BST) - the powerful hormone which stimulates the milk yield of a cow by up to 25 per cent - is set to erupt in Brussels next month when the European Commission formally adopts a plan to ban its use in Europe over the next 18 months to 2 years.



Ray MacSharry: Circulating draft proposal

Mr Raymond MacSharry, the EC's Agriculture Commissioner, is understood to be circulating a draft proposal on this sensitive issue which now seems certain to be agreed by his Commission colleagues in the next couple of weeks and submitted to EC farm ministers at their next meeting on July 24.

The Brussels authorities will be anxious to stress that the proposed ban is only temporary, and that it has been tabled largely because the results of the scientific tests conducted so far are not conclusive.

The move is nevertheless expected to provoke allegations of Luddism by parts of the science establishment and multinational drug companies, such as Monsanto and Eli Lilly, which have poured billions of dollars into research and promoting BST. The suspicion of BST's supporters will be that the Commission has bowed to fierce consumer and environmentalist pressure, as well as the concern of market managers at the likely impact of a yield booster on EC milk production.

As for consumer reactions, the study simply points out that two surveys are currently being conducted and that the detailed responses have not yet been collated. The main argument inside the Commission - and indeed among member states - is likely to be the duration of the ban. Some Commissioners may feel that Mr MacSharry's apparent preference for a two-year ban running to the end of July 1991 is too long and that 18 months or even less is more appropriate. Several EC Farm Ministers have already staked out their positions on BST. At this month's Farm Council in Luxembourg, for example, Mr Ignaz Kiechle, the West German minister, seemed to affirm his clear opposition to its use, while Mr Henri Nallet, his French counterpart, warned that the concerns of the Green parties ought to be taken into account. He expressed worries about the implications on internal European farm trade if member states did not reach agreement within an EC framework on the BST issue.

Restart doubts at copper plant

BELGIUM'S Metallurgie Hoboken Overpelt (MHO) said yesterday that it did not know if workers at its copper plant would vote to return to work today, reports Rester from Brussels. The workers have been on strike over pay since June 8 at the plant in Olen, which produces all MHO's refined copper and fabricated copper products. The strike forced MHO to declare force majeure on all its outgoing copper shipments on June 14 and to extend this on June 21 to its raw copper purchases.

"I will obey the order," he said. "The situation is not clear, if they all come back to work, it (the force majeure declaration) will be lifted rapidly. If only part of the workforce comes back I cannot say what will happen." He said the union had accepted a pay offer on behalf of MHO's three Belgian non-ferrous metal plants, including Olen, but that he did not know whether the deal would satisfy the Olen workers.

reached before the expiry of the current agreement tomorrow 30. Highland Valley is 55 per cent owned by Cominco and 45 per cent owned by Lorex Mining Corporation. "After eight years of showing restraint in bargaining, it's time for the company to share its good fortune by negotiating a collective agreement that truly reflects its healthy position," said Mr Richard Boyce, president of the local. "The company has boasted of extraordinary profits," Mr Boyce added. "Instead of making a commitment to the workforce, they have just grown more greedy and are demanding concessions from us on every front."

Militancy fires Brazilian soybean dispute

John Barham on the battle between farmers and government over market conditions

BRAZIL'S SOYABEAN growers are locked in a bitter dispute with the Government over almost every aspect of the industry. Militant farmers have blocked roads, besieged processing centres and burnt tons of soyabean in public. Yesterday they were planning a major demonstration in Brasilia, the capital.

The soybean protest began over a month ago and has grown in intensity with each abortive meeting with government officials. And soy growers are not alone: orange, coffee, cocoa, rice and even sisal producers are also restless. Even industrial exporters are clamouring for a more aggressive exchange rate policy. It seems that the soy farmers' protest is beginning to hurt.

The soybean protest began over a month ago and has grown in intensity with each abortive meeting with government officials. And soy growers are not alone: orange, coffee, cocoa, rice and even sisal producers are also restless. Even industrial exporters are clamouring for a more aggressive exchange rate policy. It seems that the soy farmers' protest is beginning to hurt.

stamped into action and cannot make policy changes to suit a single interest group. But the exploding inflation rate has forced the Government's hand once already. Earlier this month it resumed daily devaluations of the Brazilian cruzeiro and re-introduced daily indexation to adjust prices for inflation, measures that economists and businessmen as well as farmers have been demanding since April.

Until recently, Paraguayan traders were snapping up all the Brazilian soy they could lay their hands on. They paid farmers the going international price, converted at the black market exchange rate, which quoted the cruzeiro at one-third of its official value. Now, however, Paraguayan is awash with Brazilian soybeans. Since producers are not selling their product, they have also stopped repaying their bank loans. That in turn has starved banks of funds to finance winter crops. Mr Paulinelli said: "The protest will not affect winter crops if the Government acts in time."

Cultivating a future in the export of wood products

Barbara Durr looks at a burgeoning Chilean industry fueled by foreign investment

PROTECTED FROM Chile's brisk winter winds and sudden frosts, 6m eucalyptus seedlings are being carefully cultivated by Royal Dutch Shell's Chilean subsidiary. The seedlings, grown in high technology greenhouses outside the central south town of Los Angeles, will be planted by next month and form part of the wood stock to feed Shell's \$286m short-fibre pulp plant.

off point in forestry, thanks to some intelligent policy-making at CONAF. In 1974, the first full year of the military government, Chile changed its laws on forestry to provide substantial incentives for tree planting. Under Decree Law 701, which expires in 1994, the Government has granted a 75 per cent subsidy for costs of plantation, plus waivers on taxes through the first rotation of trees and additional subsidies for pruning.

BRITAIN'S FARM Woodland scheme could result in the planting of an extra 10m trees, including 2m oaks, Mr John MacGregor, the Minister of Agriculture, said yesterday. Speaking during a visit to the Royal Norfolk Show at Norwich, the Minister said he was very pleased with the response to the scheme. In its first eight months, to the end of May, nearly 900 farmers had applied for grants to plant more than 6,000 hectares over the next three years. The planting target for that period is 36,000 hectares.

fastest than pine (whose rotation for pulp wood is 15 to 22 years) and its fibre density is better for producing high-quality pulp. Many experts see it as Chilean forestry's main hope for the future. For its eucalyptus project, Shell acquired two forests and some smaller lots for a total area of 77,000 hectares, a sawmill and, with Citibank and Scott Paper, a newly-completed pulp plant. Citibank and Scott each have a 20 per cent share, Shell holds 60 per cent. Shell's Santa Fe mill, the first eucalyptus pulp plant in Chile, is currently being converted by the Finnish engineering specialists, Jaakko Poyry Group, from its original purpose, Spanish investors, who ran out of money and had to abandon the project, had conceived the plant for pine pulp and paper.

Some private companies have already invested in smoothing the path to get out their goods. Mitsubishi, for example, which invested \$10m in a woodchip plant, also invested \$4m in a reprocessed chip plant. Shell is also planning to rebuild a public road. Large infrastructure could slow the pace of development of Chile's forestry industry. For the future, there is two other questions, it is unclear what will happen to plantation stock. Decree Law 701 stipulates that 50 per cent of plantation costs to the main markets in the Pacific Rim, North America and Europe could squeeze exports. Nevertheless, Chile is expected to have a timber over-supply between the 1990s and it looks well set to weather any price dips.

WORLD COMMODITIES PRICES

LONDON MARKETS

Table with columns for Commodity Name, Previous Price, Current Price, and Change. Includes sections for COPPER PRICES, SPOT MARKETS, OIL PRODUCTS, and various metals like Gold, Silver, and Platinum.

COMMODITY PRICES

Table with columns for Commodity Name, Previous Price, Current Price, and Change. Includes sections for SOYABEAN PRICES, CRUDE OIL, and various grains like Wheat and Corn.

LONDON METAL EXCHANGE

Table with columns for Commodity Name, Previous Price, Current Price, and Change. Lists various metal contracts such as Aluminium, Zinc, and Lead.

US MARKETS

Table with columns for Commodity Name, Previous Price, Current Price, and Change. Includes sections for METALS, CRUDE OIL, and various grains.

NEW YORK

Table with columns for Commodity Name, Previous Price, Current Price, and Change. Lists prices for Gold, Silver, and various metals.

CHICAGO

Table with columns for Commodity Name, Previous Price, Current Price, and Change. Lists prices for Soyabean Meal, Soyabean Oil, and various grains.

WHEAT

Table with columns for Commodity Name, Previous Price, Current Price, and Change. Lists prices for various wheat grades.

CORN

Table with columns for Commodity Name, Previous Price, Current Price, and Change. Lists prices for various corn grades.

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Main table containing unit trust information, organized by company and fund type. Includes columns for company name, fund name, price, and other details. The table is divided into several sections: 'OFFSHORE AND OVERSEAS', 'MANAGEMENT SERVICES', 'GUERNSEY (SH REDEEMED)', 'LUXEMBOURG (SH REDEEMED)', and 'JERSEY (SH REDEEMED)'. Each section lists various unit trusts and their corresponding prices.

OFFSHORE AND OVERSEAS

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LUXEMBOURG (SH REDEEMED)

JERSEY (SH)

SWITZERLAND (SH REDEEMED)

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OFFSHORE AND OVERSEAS

GUERNSEY (EU RECOGNISED)

LUXEMBOURG (EU RECOGNISED)

JERSEY (EU RECOGNISED)

SWITZERLAND (EU RECOGNISED)

GUERNSEY (EU RECOGNISED)

JERSEY (EU RECOGNISED)

SWITZERLAND (EU RECOGNISED)

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Share Price, and other financial metrics.

Table of FT Unit Trust Information Service, continuing the list of unit trusts.

Table of FT Unit Trust Information Service, continuing the list of unit trusts.

Table of British Funds, listing various British funds with columns for Name, Share Price, and other financial metrics.

Table of British Funds - Contd, continuing the list of British funds.

Table of Commonwealth & African Loans, listing various loans with columns for Name, Share Price, and other financial metrics.

Table of FT Unit Trust Information Service, continuing the list of unit trusts.

Table of FT Unit Trust Information Service, continuing the list of unit trusts.

Table of British Funds - Contd, continuing the list of British funds.

Table of British Funds - Contd, continuing the list of British funds.

Table of Commonwealth & African Loans, continuing the list of loans.

Table of Commonwealth & African Loans, continuing the list of loans.

Table of Money Market Bank Accounts, listing various bank accounts with columns for Name, Share Price, and other financial metrics.

Money Market Trust Funds, listing various trust funds with columns for Name, Share Price, and other financial metrics.

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Main table containing share prices for various sectors: AMERICANS-Contd, BUILDING, TIMBER, ROADS - Contd, DRAPERY AND STORES - Contd, ENGINEERING, INDUSTRIALS (Misc.) - Contd, CANADIANS, BANKS, HP & LEASING, CHEMICALS, PLASTICS, FOOD, GROCERIES, ETC, HOTELS AND CATERERS, BEERS, WINES & SPIRITS, DRAPERY AND STORES, BUILDING, TIMBER, ROADS, INDUSTRIALS (Misc.), and INSURANCES. Each section lists company names, stock codes, and prices.

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INSURANCES - Contd

Table listing insurance companies and their share prices.

LEISURE

Table listing leisure-related companies and their share prices.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their share prices.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies and their share prices.

COMPONENTS

Table listing component companies and their share prices.

SPARE PARTS AND DISTRIBUTORS

Table listing spare parts and distributor companies and their share prices.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publisher companies and their share prices.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies and their share prices.

SHIPPING

Table listing shipping companies and their share prices.

SHOES AND LEATHER

Table listing shoes and leather companies and their share prices.

SOUTH AFRICANS

Table listing South African companies and their share prices.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies (continued).

PROPERTY

Table listing property-related companies and their share prices.

TOBACCO

Table listing tobacco companies and their share prices.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies and their share prices.

INVESTMENT TRUSTS

Table listing investment trusts and their share prices.

FINANCE, LAND, ETC

Table listing finance, land, and other companies and their share prices.

OIL AND GAS

Table listing oil and gas companies and their share prices.

OVERSEAS TRADERS

Table listing overseas trader companies and their share prices.

PLANTATIONS

Table listing plantation companies and their share prices.

MINES

Table listing mining companies and their share prices.

FAR WEST

Table listing Far West companies and their share prices.

DIAMOND AND PLATINUM

Table listing diamond and platinum companies and their share prices.

CENTRAL AFRICAN

Table listing Central African companies and their share prices.

FINANCE

Table listing finance companies and their share prices.

TEXTILES

Table listing textile companies and their share prices.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies (continued).

TOBACCO

Table listing tobacco companies (continued).

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

INVESTMENT TRUSTS

Table listing investment trusts (continued).

FINANCE, LAND, ETC

Table listing finance, land, and other companies (continued).

OIL AND GAS

Table listing oil and gas companies (continued).

OVERSEAS TRADERS

Table listing overseas trader companies (continued).

PLANTATIONS

Table listing plantation companies (continued).

MINES

Table listing mining companies (continued).

FAR WEST

Table listing Far West companies (continued).

DIAMOND AND PLATINUM

Table listing diamond and platinum companies (continued).

CENTRAL AFRICAN

Table listing Central African companies (continued).

FINANCE

Table listing finance companies (continued).

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies (continued).

TOBACCO

Table listing tobacco companies (continued).

TRUSTS, FINANCE, LAND

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Table listing diamond and platinum companies.

CENTRAL AFRICAN

Table listing Central African companies.

FINANCE

Table listing finance companies.

OIL AND GAS - Contd

Table listing oil and gas companies (continued).

OVERSEAS TRADERS

Table listing overseas trader companies (continued).

PLANTATIONS

Table listing plantation companies (continued).

MINES

Table listing mining companies (continued).

FAR WEST

Table listing Far West companies (continued).

DIAMOND AND PLATINUM

Table listing diamond and platinum companies (continued).

CENTRAL AFRICAN

Table listing Central African companies (continued).

FINANCE

Table listing finance companies (continued).

Australians

Table listing Australian companies.

MINES - Contd

Table listing mining companies (continued).

Miscellaneous

Table listing miscellaneous companies.

THIRD MARKET

Table listing third market companies.

NOTES

Stock Exchange dealing classifications are indicated to the right of security names in Alpha, B, Beta, and Gamma.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

TRADITIONAL OPTIONS

Table listing traditional options.

PROPERTY

Table listing property companies.

OILS

Table listing oil companies.

MINES

Table listing mining companies.

FINANCE

Table listing finance companies.

FINANCE

Table listing finance companies.

FINANCE

Table listing finance companies.

This service is available to every Company client in a plain Exchange Volume for a fee of £200 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound below best

THE DOLLAR finished below its best levels, but higher on the day, while sterling fell back on profit taking after a firm tone in early London trading.

Institutional buying pushed the dollar higher in Tokyo, with dealers suggesting that last week's fall below Y140 had led to heavy buying and had shown the level where there was strong underlying support for the US currency.

Japanese institutions with large cash reserves have been regarded as potential buyers of dollar assets for some time. Last week's decline of the US currency provided an attractive buying opportunity and yesterday's intervention by the Bank of Japan did not appear to dampen enthusiasm for the dollar.

The Bank of Japan probably sold over \$1bn yesterday, against a nervous background in Tokyo involving renewed political problems. Mr Souike Ueno, Japanese Prime Minister, was forced to issue a denial that he had offered to resign.

Mr Ueno was reported to have told his colleagues in the ruling Liberal Democratic Party "I have to stay down or I will put the party into more trouble."

News reports added that Mr Ueno - who is the subject of a sex allegation scandal in the US - is in New York.

Table with columns for June 28, Latest, and Previous Close. Includes Sterling Index and various currency rates.

Japanese press - was disaffected from resigning because after the Recruit Cosmos bribery affair, involving senior members of the LDP, it would cause political chaos in Japan.

Japan's political problems and institutional demand for the dollar pushed the US currency up in the Far East and led to a firm opening in Europe.

Trading was relatively quiet however and fear of intervention by the US Federal Reserve, coupled with weaker than expected economic data, brought the dollar down from the day's peaks. May US leading indicators fell a larger than forecast 1.2 per cent, after rising 0.6 per cent in April.

After finishing at Y143.55 in Tokyo the dollar closed in London at Y142.75 compared with Y141.10 on Tuesday. In terms of other currencies it rose to DM1.9645 from DM1.9560; to

SFR1.6890 from SFR1.6840; and to FF6.6850 from FF6.6325. On Bank of England figures the dollar's index rose to 71.8 from 71.3.

Sterling rose to peak of DM3.0750, as the market worked out short sterling positions. Pressure against the pound eased after Tuesday's publication of better than expected May UK trade figures.

As the danger of a further fall in the value of sterling receded the cost of carrying short sterling positions - at present higher UK interest rates - became unacceptable and this led to short covering. The pound gained ground, but dealers said it must reach a level of around DM3.1075 before a higher trading range is established. There was little hope of that yesterday and therefore the market took profits, pushing sterling down to DM3.0675 from DM3.0825.

Table titled 'EMS EUROPEAN CURRENCY UNIT RATES' with columns for Currency, Unit, and % change.

FINANCIAL FUTURES

Prices pause for breath

THE FIRMER trend in short sterling prices seen on short covering after better than expected US trade data, tended to run out of steam yesterday. While the prospect of a further rise in bank base rates appears to have receded for the time being, there appears to be similar reasoning to suggest that rates are unlikely to fall, at least until close to the year end.

Whills trade figures may have introduced a note of cautious optimism, investors are aware that Government emphasis remains on the reduction of inflation, and so far, there is little to cheer on this front.

Against this background, short sterling deposits for September delivery finished at 86.00, discounting a base rate of 14 per cent, and down from 85.12 at the opening and 86.10 on Tuesday. Long gilt futures retreated from the day's highs, but still managed to show a

marginal improvement on the day, finishing at 94.14 for September delivery against 94.13 on Tuesday.

West German Government bond futures finished on a weaker note ahead of today's meeting of the Bundesbank central council. Some traders remain wary on the outside possibility of a rise in key lending rates. The September bond price closed at 94.80, down from 94.87 on Tuesday.

Table titled 'LIFE LONG TERM FUTURES' with columns for Strike Price, Call, Put, and Settlements.

Table titled 'LIFE TREASURY BOND FUTURES' with columns for Strike Price, Call, Put, and Settlements.

Table titled 'LIFE TERM FUTURES' with columns for Strike Price, Call, Put, and Settlements.

SPOT SPOT - FORWARD AGAINST THE POUND

Table with columns for Currency, Spot, and Forward rates against the pound.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns for Currency, Spot, and Forward rates against the dollar.

CURRENCY RATES

Table listing various currency rates and percentages.

EURO-CURRENCY INTEREST RATES

Table showing interest rates for different currencies and terms.

PHILADELPHIA 6 1/2% OPTIENS

Table listing Philadelphia 6 1/2% options data.

CHICAGO

Table listing Chicago market data.

EUROPEAN OPTIONS EXCHANGE

Table listing European options exchange data.

CURRENCY MOVEMENTS

Table showing currency movements and percentage changes.

EXCHANGE CROSS RATES

Table showing exchange cross rates between various currencies.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates.

MONEY RATES

Table showing money rates for various currencies.

LONDON MONEY RATES

Table showing London money rates.

MONEY MARKETS

Steady, but cautious

UK INTEREST rates reversed a softer trend established during the morning to finish little changed from Tuesday's closing levels. Rates were marked down at the start as sterling continued to benefit from better than expected May trade data.

The forecast was revised to a shortage of around £260m but there was no assistance by the Bank during the morning. A further revision took the forecast to a shortage of around £200m, and the Bank bought \$200m of eligible bank bills in band 1 at 13 1/8 per cent. Late help came to £80m, making a total of £280m.

MONEY RATES

Table showing money rates for various currencies.

MONEY MARKETS

In Frankfurt, the Bundesbank announced that it will not be holding a news conference after today's meeting of the central council. Opinion over the possibility of an early rise in West German interest rates remains fairly evenly divided.

UK clearing bank base lending rate

14 per cent from May 24

being less than clear. This was reflected in the yield curve on interbank money which is now flat from three months out to one year.

UK clearing bank base lending rate

14 per cent from May 24

The Bank of England forecast a shortage of around £300m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £118m. Exchequer transactions drained a further £20m while banks' balances were brought forward £40m below target. In addition, there was a rise in the note

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates.

MONEY RATES

Table showing money rates for various currencies.

LONDON MONEY RATES

Table showing London money rates.

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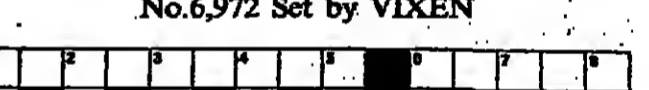
Members of the Sterling Brokers Association and The Securities Association

In co-operation with GREL, Paris

JOTTER PAD

CROSSWORD

No.6972 Set by VIXEN



Across: 1 The place of military personnel here (9), 2 Transport one or two (5), 3 A scholar will stand by a friend in a holiday resort (7), 4 A step to be effected without delay (6), 5 A suggestion to involve the queen causing a row (7), 6 Particular about coppers entering school (7), 7 Alternatives when there's nothing in post for attention (7), 8 Poles having an accountant in view (5), 9 It's the same old story - but note the appeal (10), 10 Out of order, and so tense (9), 11 Man after personality and a particular means of expression (6), 12 Cereal - a very small amount (5), 13 Disappeared, having proved a too-break necessary (10), 14 Get out of the closet - East (7)

Down: 1 A massive rock split the stream (7), 2 Report an improvement in the country's trade-figures (4), 3 The foreign princess would be a choosy woman (9), 4 Tried if car-smash causes manslaughter (9), 5 A Greek character involved in a gradual phasing out (8), 6 Called up a fellow journalist (5), 7 Flying buttresses his specialty? (4), 8 Solution to Puzzle No.6971

Table with columns for various currencies and their values.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

WORLD STOCK MARKETS

Table of world stock markets including sections for Australia, France, Germany, Italy, Sweden, Japan, and various regional indices. Each section lists stock symbols, prices, and percentage changes.

CANADA section containing Toronto 2pm prices for June 28, listing various Canadian stocks and their market performance.

INDICES section featuring the NEW YORK DOW JONES index and other international indices, with columns for date, high, low, and percentage change.

CANADA section containing Toronto 10am active stocks, listing specific Canadian equities and their trading activity.

TOKYO - Most Active Stocks section listing the top-performing Japanese stocks for Wednesday, June 28, 1989.

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for 12 Month High/Low, Stock, Div. Yld., % Chg., 100/Share, and Close Prev. Includes a detailed list of stock prices and a section for AMEX Composite Prices at the bottom.

OVER-THE-COUNTER

Quoting national market, 3pm prices June 28

Table of Over-the-Counter prices with columns for Stock, Div. Yld., % Chg., 100/Share, and Close Prev. Includes a detailed list of stock prices and a section for AMEX Composite Prices at the bottom.

Small text block providing additional information or disclaimers related to the market data.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices with columns for 12 Month High/Low, Stock, Div. Yld., % Chg., 100/Share, and Close Prev.

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AMERICA

Dow falls in thin trade after bonds setback

Wall Street

A SLOW morning on Wall Street saw stocks fall sharply in desultory trading as a weak debt market triggered profit-taking in equities, writes Karen Zagor in New York.

94 per cent. The dollar did not give up any ground yesterday morning in spite of a move by the Federal Reserve to bolster the yen by selling dollars.

International sources for at least half of their sales. However, Wall Street's reaction to the projection was mixed, with shares in Merck falling 1 1/2% to \$88 1/2 and Exxon dipping 3/4% to \$45 1/2, but IBM rising 1/4% to \$114 1/2.

at Carroll McEntee & McGinley, the index "needs sustained declines for over a year" to predict recession accurately. The White House said the indicators show a slower but healthy economy.

A number of blue chip issues fell, including Boeing, which dropped 1 1/2% to \$49 1/2, Philip Morris, down 1 1/2% to \$140 1/2, Johnson & Johnson, off 1/2% to \$50, and Bristol Meyers, which fell 1/2% to \$43 1/2.

EUROPE

Germany shrugs off early jitters over Daimler issue

MOST bourses had a stronger and busier session yesterday, although some nervousness over interest rates remained, writes Our Markets Staff.

ing back around midday as nervousness about higher interest rates returned. The decline in the US leading economic indicators appeared good news, but Wall Street's early losses depressed French shares further.

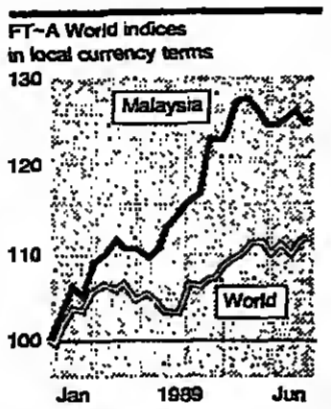
and "this may have led some people to look at them," said an analyst. Stocks listed in New York performed well following Wall Street's strength on Tuesday, with Telefunica up 2 at 201.5.

Foreigners face Malaysian stocks shortage

Wong Sulong on the drawbacks and potential of one of this year's best performers

THE MALAYSIAN stock market has been one of this year's better performers this year, but foreigners may be hindered from building up investments there because of a shortage of top quality stocks.

Foreign investment in other favourites, such as Sime Darby, Malaysian Airline System and Kuala Lumpur Kepong, is also at a very high level, and the only new blue chip listing on the horizon is that of Kumpulan Guthrie, the huge plantation group that is currently owned by Permodalan Nasional Berhad (PNB), the government equity corporation.



Mr Lee Siang Chin, chief executive of Arab-Malaysian Securities, believes that Guthrie shares will appeal particularly to Japanese investors who are new to the Malaysian market.

However, analysts point out that there are likely to be few offers like Kumpulan Guthrie, because many blue chip Malaysian companies prefer to remain private.

On the other hand, the upheaval in China could have a negative impact on Malaysia's leading export commodities - rubber and palm oil - of which China takes a large share.

ASIA PACIFIC

Resignation hints exacerbate selling mood

Tokyo

SPECULATION that Prime Minister Souseike Uno might resign sent the Japanese stock market lower yesterday, writes Yuriko Mita in Tokyo.

council on Sunday, and further revelations about Mr Uno's past affairs are expected in the next few days. In the circumstances, analysts said, investors had found it difficult to take new positions.

Y30 at Y1,180 with 16.8m shares changing hands. Kawasaki closed at Y1,150, down Y20, on a turnover of 15.3m shares.

Interest. CRA rose 14 cents to A\$8.64, Bougainville Copper gained 6 cents to A\$1.98 and Western Mining advanced 4 cents to A\$3.42.

FT-ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, US Dollar Index, Day's Change, Round Index, Local Currency Index, Day's Change, Gross Div. Yield, US Dollar Index, Round Index, Local Currency Index, 1989 High, 1989 Low, Year ago (approx).

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